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THE PRESIDENT'S 1984 NATIONAL URBAN POLICY REPORT

HEARING

BEFORE THE

SUBCOMMITTEE ON INVESTMENT, JOBS, AND PRICES

OF THE

JOINT ECONOMIC COMMITTEE
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THE PRESIDENT'S 1984 NATIONAL URBAN POLICY REPORT

WEDNESDAY, JUNE 20, 1984

Congress of the United States,
Subcommittee on Investment, Jobs, and Prices
of the Joint Economic Committee,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2212, Rayburn House Office Building, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

Present: Representatives Mitchell, Scheuer, and Holt.

Also present: James K. Galbraith, deputy director; Nathaniel W. Thomas, professional staff member; and Beth Hoffir, intern.

OPENING STATEMENT OF REPRESENTATIVE MITCHELL, CHAIRMAN

Representative Mitchell. Good morning. This hearing will now come to order.

Two years ago the Joint Economic Committee held a series of hearings on the President's 1982 National Urban Policy Report. There was then as there is now a perception that urban policy issues are relatively insignificant to this administration.

Apparently the 1984 Urban Policy Report continues what was delineated in that first report, a three-part strategy comprised of an economic recovery program, decentralization of Government, and public-private cooperation. Those three prongs make up the effort for this administration's urban policy. These are the same three prongs contained in the 1982 report, so essentially there's nothing new by this administration for an urban policy.

From my perspective, economic recovery cannot be achieved without full employment. But it appears that the President's economic recovery program has been least effective in improving the unemployment problem, particularly in urban areas.

It's well known that many cities still have double-digit inflation, double-digit unemployment. Gary, IN, for example, has unemployment of 23.6 percent; St. Louis, 11 percent; Detroit, 16.1 percent; and Cleveland, 14.6 percent.

So the economic recovery, if there has been a recovery, has been uneven and not as broad based as the administration would contend.

I'm well aware of the fact that a large number of new jobs have been created, that more people are back to work. That does not diminish the significance of the concentration of unemployment in our major cities and that large inequalities still exist between the demographic groups.

Unemployment for blacks and Hispanics, most of whom live in the cities, is still very high, 15.8 percent black unemployment and 10.5 percent Hispanic unemployment. This compares to unemployment rates of 12.3 percent for blacks and 8.3 percent for Hispanics during the recession of 1975.

The unemployment rate for black teenagers is, of course, a particular concern to me. I serve on this committee and receive the unemployment reports each month, the unemployment statistics, and there's always great glee when somebody says, "Look, we've reduced the black youth unemployment from 50 percent to 49 percent." That doesn't mean very much to me.

The unemployment rate for black teenagers has fallen from 49 percent to 44.8 percent over the last year. However that compares very poorly when you look at the 36.5 percent rate of unemployment for black teenagers in 1979 and 39.5 percent in 1975. It's my very basic opinion that the present so-called economic recovery has not improved the unemployment situation in urban areas.

The second major prong of the President's urban policy strategy presents another problem. The administration has placed a heavy burden on States and cities.

I'll be the first to admit that there are some States and some localities where financial conditions have improved during the last 3 years. But what about those States and cities where the financial picture has not improved?

We see a continuing decline in assistance under the President's 1985 fiscal year budget. A continuing decline of assistance to States and localities.

Many of the States still have very high unemployment rates, much higher than the national average. And I guess we come to the bottom line, the real question being whether or not the localities, the States, and the cities are better off today than they were 4 years ago. And in my opinion, the answer is no, they are not.

We could run down the litany of all of the things that I think have impacted negatively on our cities. The funds for employment and training programs have been cut virtually in half. Those programs have declined from $9.6 billion in budget authority and $10.35 billion in outlays in fiscal year 1980. They've declined down to $4.8 billion in budget authority and outlays in the President's 1985 fiscal year budget.

I don't think there is any education expert in this Nation who would tell you that education programs have fared better under this administration. If we're talking about an urban policy, obviously education is integral to any meaningful urban policy.

We have had reductions. The administration has requested reductions in education programs. Health and human services programs have borne their share of reductions.

And there is no way that our cities can continue to survive unless there are Federal programs, it's just that simple. Certainly we've got to have a much more comprehensive national urban policy than has been advanced in the President's 1984 report.

We will hear from a number of witnesses today and I am delighted to see that the Governor of my State is here, Gov. Harry Hughes. He is our second witness for this morning.

Before going any further I'll turn to my colleague and my fellow Marylander, Congresswoman Holt, for an opening statement, if she has one.

OPENING STATEMENT OF REPRESENTATIVE HOLT

Representative HOLT. Thank you, Mr. Chairman. It's certainly a pleasure to be here this morning and look into this matter. I think it's very, very important. We appreciate having Ms. Koch and the Governor with us.

I think that all of us can agree that a sustained expansion of the American economy offers the best prospects for all Americans, including the citizens of our cities.

Economic recovery was the top priority of the Reagan administration when it assumed office. It was the top priority of the mayors organizations, of everybody.

We were deeply concerned about the high inflation and rising tax burden of the 1970's, which had crippled the American economy and finally plunged us into three consecutive recession years, in 1980, 1981, and 1982.

The Reagan administration assumed office in early 1981, determined to control inflation and cut taxes, the fundamental steps needed to revive the American economy.

The program has worked splendidly. It's getting the attention of governments all over the world. President Mitterrand has just announced that he's going to follow this pattern because of the number of jobs that we've been able to create in this recovering economy. Spectacular.

Low inflation and 3 years of tax cuts have restored consumer purchasing power and stimulated business investment. More Americans are working than ever before in history. The unemployment rate has dropped from a recession high of 10.7 percent to the current 7.5 percent and is continuing to fall.

And I believe that if we had a youth differential wage, we could reduce the youth unemployment that is so staggering and one that we're all deeply concerned about.

But we all recognize that the problems of our older cities need special attention. But it must be a cooperative effort between the Federal, State, and local governments, and the private sectors.

The administration has repeatedly appealed to Congress to enact enterprise zones legislation which would offer substantial tax advantages to encourage businesses to develop in depressed areas and hire the disadvantaged.

The House leadership has consistently refused to consider this legislation, which has widespread support from mayors and Governors. Twenty-two States have enacted their own enterprise zones legislation and they include our own State of Maryland. I think our chairman, the gentleman from Maryland, has certainly been very supportive and has offered his own legislation in that area.

Baltimore City has created enterprise zones to generate economic development. The great mayor of that city, the Honorable William Donald Schaefer, has repeatedly urged Congress to act on the Federal legislation. The Senate has passed it and there's some chance that it will be included in the conference report of the pending major tax legislation.

Ms. Koch, I hope this morning you will discuss enterprise zones and other administration efforts to help the cities through the job-training partnership act, urban development act and grants and housing programs. I look forward to hearing your testimony.

Thank you, Mr. Chairman.

Representative MITCHELL. Thank you very much, Congresswoman Holt. We also have Congressman James Scheuer, who is with us.

Jim, I don't know whether you want to make an opening statement or not?

We are finishing up the immigration bill and Congressman Scheuer has an amendment on that bill. I don't know how long he can stay with us. Senator Paul Sarbanes was here. He'll try to get back. They are marking up a bill in the Banking Committee and I expect other members of this subcommittee to join us as time permits them to do so.

Ms. Koch, we have received a copy of your prepared statement. We'll be glad to hear from you.

STATEMENT OF JUNE Q. KOCH, GENERAL DEPUTY ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. KOCH. Thank you, Mr. Chairman and members of the committee. I'm pleased to be here before you to discuss the President's 1984 National Urban Policy Report.

Mr. Chairman, you have summarized the major strategy. I will just, with your permission, read some of this testimony and then outline some of the highlights of the urban policy report.

Representative MITCHELL. That will be fine. Your entire prepared statement will be submitted for the record.

Ms. KOCH. Thank you.

When Secretary Pierce appeared before this committee 2 years ago to discuss the 1982 National Urban Policy Report we had identified the premises and the priorities for an urban policy. Today I'd like to discuss the actions that we have taken to implement this policy and to describe the progress we have made. I think it's worthwhile to look at what has happened in terms of economic recovery.

When President Reagan took office the annual inflation rate was 12.5 percent. Interest rates were 21 percent. Federal regulations were costing State and local governments billions of dollars annually. The tax system created disincentives for private business expansion. America's infrastructure was deteriorating far faster than it could be repaired. And the Federal Government has taken over much of the decision-making authority of State and local governments.

The administration's national urban policy is designed to counteract these problems. This policy, as you have noted, is a three-part strategy to create right economic climate for stable urban growth, strengthen State and local governments and stimulate public and private cooperation to improve social and physical conditions. The strategy is based on an understanding that cities and States are diverse and so are their problems and solutions. The strategy also recognizes the need for a dynamic evolving approach to these problems and solutions. Underlying the strategy is the belief that excessive spending fuels inflation, ultimately hurting everyone.

It is a strategy based on the same conclusions reached by this Joint Economic Committee several years ago in 1980, as a matter of fact, in its report on the fiscal conditions of cities, that the basic foundation for improving life in distressed cities is a sound economic climate.

In that report the JEC recommended that the best thing the Federal Government could do for cities is to strengthen the national economy.

The strategy provides a new flexibility for State and local officials to manage their resources and encourages the creation of new partnerships between elected officials and the private sector.

The 1982 National Urban Policy Report affirms the continuation of the following principles in support of this strategy: To keep the Nation on the path of economic growth; to facilitate through block grants and further deregulation the development of State and local authority and cooperation; to encourage public private cooperation; to help cities with special problems anticipate and adjust to economic dislocation; to provide assistance to the truly needy; to pursue anticrime initiatives which have helped bring about the first annual drop in the crime rate in 5 years; to focus national attention on the quality of education and increase State and local flexibility; to provide resources through the Surface Transportation Act for rebuilding the Nation's infrastructure; and to promote civil rights through vigorous enforcement of legal protections against discrimination.

Evidence from all sectors of the economy over the last 2 years indicates that this strategy is having positive results:

For the past 2 years, inflation has been at the lowest rate in 11 years and interest rates are far below their 1980–81 highs.

The index of leading economic indicators has maintained a consistent upward course rising in 16 of 18 months, since November 1982. GNP is expected to rise at a 5-percent rate in 1984 and at an over 4-percent rate in 1985.

As of April 1984, employment had increased to a record 104.4 million. May figures indicate that this trend is continuing with 890,000 new jobs created in May and a total employment of 105.3 million.

As Representative Holt has pointed out, it is—all of Europe has been dazzled by this. These are real jobs created in the market through economic growth.

Production is approaching or exceeding previous highs in almost all types of manufacturing. Cities in all sections of the country such as Dallas, San Jose, Philadelphia, and Dayton, have been successful at attracting and developing new industries. They do this by capitalizing on their special strengths to develop economic development strategies.

Serious crime dropped 3 percent in 1982. It continued to drop in 1983 by 5 percent.

State and local governments moved from a budget deficit of $1.9 billion in 1982 to a budget surplus in 1983 and that is excluding social insurance funds of $15 billion.

The actions taken by the administration as part of its urban policy have contributed significantly to the improved economic, physical, and social conditions of our cities and States. The 1984 report describes these in detail and I'd like to highlight some of them.

The two tax acts that were part of the Economic Recovery Program have themselves generated much activity. URDA, the Economic Recovery Tax Act of 1981 provided tax credits for property restoration so that cities aging buildings become a source of profits for private investors. And these tax credits are not only preventing further deterioration and abandonment through private action but in 1983 alone, approximately $2.1 billion in private funds were spent on rehabilitating older buildings in the city.

The administration, of course, is concerned about budget deficits. The President has suggested a downpayment of $148 billion in deficit cuts for the next 3 years and has endorsed the Senate proposal.

I was very interested to note that the Conference of Mayors, in its annual meeting that ended yesterday, approved a resolution calling, as the President has, for a balanced budget and a line item veto, which the President has requested. And a resolution also restraining automatic increases in entitlement programs.

The President has indeed helped to raise the national consciousness, the need to control the deficit to keep us on the path of economic recovery.

A major part of the administration's efforts in implementing the urban policy was to restore balance to the Federal system by strengthening the role of State and local governments. And the purpose here was threefold.

To enhance modernization efforts in State and local governments which have been going on in the past 10 years, to increase intergovernmental cooperation, and to provide fiscal flexibility to State and local governments.

We note in the report in many areas how this flexibility has allowed States and local governments to work more cooperatively together. And evaluations of the consolidations of the 57 categorical programs into nine block grants, evaluations by various Federal agencies, by private contractors and by the GAO, note that States are working effectively with the local governments to address issues of greatest local importance.

We note the effect of dual regulation and the savings that have resulted for States and local governments in the report.

We are saying basically in the urban policy report that the strategy is proving effective. That we have taken the right path. We do not claim to have solved all problems for cities. And there are cities that are lacking the recovery. They continue to have many problems.

The administration is committed to helping those cities and has maintained assistance and will maintain assistance to those cities. Programs that are being maintained are general revenue sharing, community development block grant, and the UDAC Program.

The administration has proposed enterprise zones which we think is a major new initiative. It is designed as a demonstration. We don't say it's a panacea for all urban problems but we think it will work and it will be particularly effective for distressed areas with high unemployment.

As you know, that legislation has been in Congress now for 2 years, has been passed twice by the Senate, has a majority of the House behind it and has yet to be passed by Congress. We are hopeful that the current conference committee will focus on it and pass it.

Another aim of the urban policy is to improve the targeting of assistance programs for the poor so that those most in need are served. Welfare reforms which were passed in 1981 have successfully resulted in increasing benefits to the truly needy.

For example, actual cash and medical assistance to the needy has grown. And the number of people served by such programs as medicaid, AFDC and supplemental security income has increased by half a million.

Other administration initiatives to better target assistance include the joint training partnership act which replaced the CETA Program. As you noted, Mr. Chairman, the budget authority is less than the previous program but we should note that under CETA only 18 percent of the funds actually went to training. Whereas under the JTPA 70 percent of those resources must be targeted for training those most in need; 40 percent of that is targeted for minority youth.

And for the first time there is a program for training dislocated workers. It is a program of $322 million designed to train 96,000 dislocated workers. It started in the fall of 1983 and so far, I think, 11,000 dislocated workers have been trained under the program.

The administration is also proposing, as Representative Holt noted, the youth employment opportunity wage of 75 percent of current minimum wage per summer month, which will enable employers to expand job opportunities for youth. I was pleased to note that the National Conference of Black Mayors has endorsed this proposal.

We are as concerned as you, Mr. Chairman, about the high percentage of unemployment among the minority youth. One of the things we have done at HUD, at the special request of the Secretary, was to design a demonstration called the minority youth training initiative, which is going on now in 20 cities, where we join using our modernization money that goes into public housing with Joint Training Partnership Act moneys and other resources in the cities to train youth for management and maintenance jobs in public housing. We would like to expand that in the coming years.

Crime is one of the most serious problems facing urban America and the administration has taken a many faceted approach focusing on many areas of concern to this and also proposed a comprehensive overhaul of the Criminal Code.

In the area of education the President has focused national attention on the quality of education and has given increased flexibility to State and local governments, and has also tried to involve parents in improving the quality of education and proposes to increase parental choice and control of parents in the education of their children by fostering, by proposing tuition tax credits for elementary and secondary education.

Representative Mitchell. Repeat that again. What is the focus——

Ms. Koch. The administration believes that parents have to be involved in improving the quality of educating their children. There are various things that the administration has designed and one we might——

Representative Mitchell. As I understood, your answer was that tuition tax credits foster greater parental involvement?

Ms. Koch. Yes, to give them—right.

Yes. There's also a program called Partnerships in Education which encourages the private sector to share their expertise and resources with the schools as well.

The administration has maintained a commitment to the education of children with special needs for fiscal year 1985. It has requested $4.7 billion for educationally disadvantaged and handicapped students.

In the area of housing the administration has focused on the problem of affordability. Nationally, studies have revealed that it is not unavailability, that is, there is no lack of housing, rental housing, nationally. And so, we are focusing on the problem of affordability through instruments that meet the needs of the homebuyer at one end and of the investment community at the other end.

The study at HUD monitoring this effort shows a 58-percent increase by pension funds in housing investments from 1981 to 1983, from 1980 to 1983. We are concerned that these initiatives, however, will not provide housing for all Americans and we are firmly committed to equal treatment for all citizens. This commitment is being implemented through a number of fair housing initiatives.

HUD has continued it's efforts to expand the involvement of State and local government agencies in fair housing enforcement and is providing grants to these agencies under the fair housing assistance program to handle fair housing complaints and, as a result of this program, there's been a substantial increase in the number of complaints resolved.

We also provide seed money to the local community housing resource boards, the CHRBS, for affirmative marketing and other voluntary efforts. And most important, we've proposed enactment of amendments to the 1968 Fair Housing Act to strengthen enforcement by providing what we think are very still penalties and direct litigation unemcumbered by bureaucracy.

In the area of infrastructure in the 1982 report we traced a pattern of declining spending, a long-term pattern of declining spending, by States and local governments, and a resulting decay in infrastructure. In this report we were happy to note a change in the priorities of State and local governments, a change in spending pattern and much creative financing. All kinds of techniques being used now by State and local governments to focus on infrastructure problems.

The administration's response has been to propose and have passed the Surface Transportation Act of 1982, which through the 5-cent gas tax provides increased assistance for transportation. In 1982 the total figure was about $11 billion; in 1984 it will be $18 billion. One cent of that tax provides an additional $1.1 billion for transit in cities.

We have focused on everything we have done to involve the participation of the private sector in rebuilding local economies and working on improving the quality of life in cities.

That sums up my report. I only wish to conclude by saying that the administration will continue to work with cities and States to finish the important work that we feel we have begun.

[The prepared statement of Ms. Koch follows:]

PREPARED STATEMENT OF JUNE Q. KOCH

Mr. Chairman, Members of the Committee, it is a pleasure to appear before you to discuss the President's 1984 National Urban Policy Report.

When Secretary Pierce appeared before this Committee two years ago to discuss the 1982 National Urban Policy Report, the Administration had identified the premises and priorities for its National Urban Policy. I am here today to discuss the actions we have taken to implement this policy and to describe the progress we have made.

When President Reagan took office, the annual inflation rate was 12.5 percent, interest rates were at 21 percent, Federal regulations were costing State and local governments billions of dollars annually, the tax system created serious disincentives for private business expansion, America's infrastructure was deteriorating far faster than it could be repaired, and the Federal government had taken over much of the decision-making authority of State and local governments.

The Administration's National Urban Policy is designed to counteract these problems. This Policy is a three part strategy to create the right economic climate for stable urban growth, strengthen State and local governments, and stimulate public and private cooperation to improve social and physical conditions. This strategy is based on an understanding that cities and states are diverse and so are their problems and solutions. The strategy also recognizes the need for a dynamic, evolving approach to these problems and solutions. Underlying this strategy is the belief that excessive spending fuels inflation, ultimately hurting everyone. It is a strategy based on the same conclusions reached by this Joint Economic Committee several years ago - the basic foundation for improving life in distressed cities is a sound economic climate. The strategy provides a new flexibility for State and local officials to manage their resources and encourages the creation of new partnerships between elected officials and the private sector.

The 1984 National Urban Policy report affirms the continuation of the following principles in support of this strategy:

1 - To keep the Nation on the path of economic growth.

2 - To facilitate, through block grants and further deregulation, the development of State and local authority and cooperation.

3 - To encourage public/private cooperation.

4 - To help cities with special problems anticipate and adjust to economic dislocation.

5 - To provide assistance to the truly needy.

6 - To pursue anticrime initiatives which have helped bring about the first annual drop in the crime rate in five years.

7 - To focus national attention on the quality of education and increased State and local flexibility.

8 - To provide resources through the Surface Transportation Act for rebuilding the Nation's infrastructure.

9 - To promote civil rights through vigorous enforcement of legal protections against discrimination.

Evidence from all sectors of the economy over the last two years indicates that this strategy is having positive results:

-- For the past two years, inflation has been at the lowest rate in 11 years and interest rates are far below their 1980-1981 highs.

-- The Index of Leading Economic Indicators has maintained a consistent upward course, rising in 16 of 18 months since November 1982.

-- GNP is expected to rise at a 5 percent rate in 1984 and at an over 4 percent rate in 1985.

-- As of April 1984, employment had increased to a record 104.4 million. May figures indicate that this trend is continuing, with 890,000 new jobs created in May, and a total employment of 105.3 million.

-- Production is approaching or exceeding previous highs in almost all types of manufacturing. Cities in all sections of the country, such as Dallas, San Jose, Philadelphia, and Dayton, have been successful at attracting and developing new industries, by capitalizing on their special strengths to develop economic development strategies.

-- Serious crime dropped three percent in 1982, as reported in the Uniform Crime Report. It continued to drop in 1983, by five percent.

-- States and local governments moved from a budget deficit of $1.9 billion in 1982 to a budget surplus in 1983 (excluding social insurance funds) of $15 billion.

The actions taken by the Administration as part of its urban policy have contributed significantly to the improved economic, physical, and social condition of our cities and States. The 1984 report describes these actions in detail. I would like to highlight some of them.

The primary tool for the continuation of a strong economy is the Administration's Economic Recovery Program. The Economic Recovery Tax Act of 1981 (ERTA) and the Tax Equity and Fiscal Responsibility Act of 1982 have substantially improved the climate for saving and business investment. For example, under ERTA, tax credits are provided for property restoration so that a city's aging buildings become a source of profits for private investors. These tax credits are preventing further property deterioration and eventual abandonment, through primarily private, not public, action. In 1983 alone, approximately $2.1 billion in private funds were spent on rehabilitating older buildings. Not only has ERTA resulted in additions to the housing stock, but it has also increased State and local revenues, created new jobs, and returned funds to the Treasury.

The Administration remains concerned about the large Federal deficit and has, since it came into office, urged the Congress to cut back Federal spending. The President has suggested a down payment of $148 billion in deficit cuts for the next three years and has endorsed a constitutional amendment mandating a balanced annual budget.

A major part of the Administration's effort in implementing the urban policy was to restore balance to the Federal system by strengthening the role of State and local governments. The Administration's rebalancing strategy has three basic goals: to enhance modernization efforts in State and local governments, to increase intergovernmental cooperation, and to provide fiscal flexibility to State and local governments. The 1984 Urban Policy Report shows that States and local governments have taken advantage of their increased authority and the flexibility provided by the Administration's consolidation and deregulation initiatives. One of the Administration's first actions was to propose the consolidation of 57 categorical programs into nine block grants. Evaluations of these block grants has shown that States are working effectively, in cooperation with local governments, to address issues of greatest local importance.

In the area of deregulation, Administration actions had the dual effect of increasing State and local flexibility and reducing State and local expenses. In 1981, as a result of the Administration's deregulation actions, it was estimated that State and local governments saved $2 billion in annual costs and $4 to $6 billion in start-up costs. Some of the specific deregulation activities undertaken by Federal agencies are described in the report.

The Administration recognizes that some State and local governments will benefit less than others from the general economic recovery and the various actions to strengthen their role in the Federal system. Continued assistance is necessary for those cities suffering from the effects of economic dislocation. To aid those cities having difficulty adjusting to the rapid economic changes of the 1980's, the Administration has maintained aid programs focusing on distressed cities' needs and has proposed Enterprise Zones as a major new initiative to aid these cities. The Administration has continued funding for the General Revenue Sharing, Community Development Block Grants, and Urban Development Action Grants programs, enabling cities to direct these funds to pressing local needs. The Administration has also provided technical assistance to cities to assist them in addressing their most pressing problems.

The Administration has also proposed enactment of Enterprise Zone legislation for the last three years. Enterprise Zone legislation has been enacted by over 20 states and is now under consideration by the Congress. We are hopeful that Congress will turn this important proposal into a reality.

Another aim of the Urban Policy is to improve the targetting of assistance programs for the poor so that those most in need are served. Welfare reforms, which were passed in 1981, have successfully resulted in increasing benefits to the truly needy. For example, actual cash and medical assistance to the needy has grown, and the number of people served by such programs as Medicaid, AFDC, and Supplemental Security Income has increased by half a million.

Other Administration initiatives to better target assistance include:

-- Creating the Job Training Partnership Act (JPTA) to replace the ineffective Comprehensive Employment and Training Act in which only 18 percent of the available funds were spent on training. JPTA requires for the first time that 70 percent of resources be targetted for training those most in need. By enabling States and local communities to determine their training needs and target the uses of the funds, the Act is expected to train people more efficiently for real jobs in the private sector, rather than create the make-work public jobs which were frequently created under CETA. JPTA also authorizes a new program of grants to States to help them assist dislocated workers who are unlikely to return to their previous jobs or occupations.

-- Proposing a Youth Employment Opportunity Wage of 75 percent of the current minimum wage for summer months which will enable employers to expand job opportunities for youth.

-- Designing demonstrations such as the Minority Youth Training Initiative, which will ease difficulties in minority youth employment by training youth living in public housing in housing management and maintenance and Project Self-Sufficiency, which will coordinate housing and a broad network of public and private services for single-parent households (primarily female-headed households), to enable them to obtain job training and entry-level positions and build full family lives for themselves.

Crime is one of the most serious problems facing Urban America. The reduction of crime is one of the highest priorities of the Urban Policy. The Administration has acted in many ways to attack the problem of urban crime, including creating a Presidential Commission to develop an overall strategy to fight organized crime more effectively, focusing national action on victims of crime, and determining the best means of dealing with family violence.

The Reagan Administration's Urban Policy remains committed to improving the quality of education. Through the Education Consolidation and Improvement Act of 1981, the Administration strengthened the ability of State and local educational authorities to manage their programs efficiently. The Administration has undertaken activities to increase the involvement of the private sector in education. One effort, Partnerships in Education, encourages private corporations to share their expertise and resources with schools. Improving schools will also require increased parental choice and control in the education of their children. The

Administration has proposed to foster this involvement through tuition tax credits for elementary and secondary education and compensatory education vouchers for disadvantaged children. In addition, the Administration has maintained a commitment to the education of children with special needs. For FY 1985, it has requested $4.7 billion for educationally disadvantaged and handicapped students.

National Urban Policy has also focused heavily on the housing needs of the Nation through a series of key initiatives to increase affordability and availability of housing both for low-income people and home buyers. New housing efforts to help these families include:

-- Vouchers, which help the poor achieve mobility within urban areas, participate more fully in the housing market, and avoid stigmatization, all at one-third less than it previously cost to house these families under new construction programs.

-- Rental Rehabilitation Grants, which will leverage private funds for rehabilitation and add to the stock of low-income housing.

-- Rental Housing Development Grants, which will provide funds for new construction and substantial rehabilitation to cities with housing needs which cannot be met with their existing stock.

Affordability of housing for home buyers has also been a major concern of the Administration. By bringing down the inflation and mortgage interest rates, the Administration made homeownership possible for five million more Americans who could not afford to buy homes three years ago. We have also developed initiatives to address the long-term structural problems which can drive up the cost of housing: excessive regulations and the need for new sources of mortgage funds. HUD's Joint Venture for

Affordable Housing, now operating in 28 cities, is demonstrating that housing costs can be reduced over 20 percent through regulatory and processing reform.

The Administration has also broken new ground in seeking new sources of mortgage funds. Pension funds, which total approximately $700 billion, represent a vast, untapped potential source of mortgage funds. HUD undertook a major marketing effort to communicate to pension funds, through conferences and public forms, the market competitiveness of housing investments. Working with HUD, the Department of Labor eased restrictions on Employee Retirement Income Security Act (ERISA) regulations, removing barriers to prudent pension fund investment in housing. HUD instituted a survey of mortgage investment by pension funds which indicates that private pension fund investment in mortgages and related instruments increased by 58 percent from 1980 to 1983.

Solving the problems of housing affordability and availability will, unfortunately, not make housing easily available to all Americans. The persistence of racial segregation and discrimination in American cities and suburbs constitutes one of the major challenges facing the Administration and the Congress. There is ample evidence that minorities can expect to encounter discrimination in their search for housing 15 years after the passage of the Fair Housing Act. The Administration is firmly committed to equal treatment for all citizens.

This commitment is being implemented through a number of important new initiatives. HUD has continued its efforts to expand the involvement of State and local agencies in fair housing enforcement. HUD is providing grants to these agencies under the Fair Housing Assistance Program to handle fair housing complaints. As a result of this program, there has been a substantial increase in the number of complaints resolved. HUD is also providing seed money to local Community Housing Resource Boards for affirmative marketing and other voluntary efforts to assure fair housing.

Most importantly in the area of fair housing, the Administration has pressed aggressively for enactment of amendments to the 1968 Fair Housing Act to strengthen enforcement by providing stiff penalties and direct litigation unencumbered by bureaucracy. We will never be able to fully eliminate discrimination unless Congress is willing to approve these amendments.

The 1982 Urban Policy report documented a long-term decline in capital spending by State and local governments for infrastructure needs. The Surface Transportation Act of 1982 represents a major part of the Administration's response in meeting Federal responsibility for infrastructure needs. The Act provides for completion of all segments of the interstate system by the early 1990's. It also requires that one cent per gallon of the new motor fuel tax (or approximately $1.1 billion annually) will be used for mass transit capital assistance. In all, the Act will provide a projected 17 percent increase in all Federal transportation capital assistance to State and local governments between 1983 and 1984.

Implicit in every aspect of the National Urban Policy is the continued need for the participation of the private sector in the rebuilding of America's local economies. Administration efforts have resulted in the creation of thousands of local public/private partnerships to channel private financial and technical resources for the improvement of urban social and physical conditions.

We have taken very seriously the advice of the Joint Economic Committee that the most important thing the Federal government can do for cities is to achieve national economic growth through a healthy economy. As a result, we have made a good beginning in helping to improve the economic climate for cities. Difficult problems remain, but the outlook for urban areas today is better than it has been in many years.

We will continue to work with cities with structural economic problems, look at other ways to increase State and local authority, and stimulate public and private cooperative efforts. There is still work to be done. There are several important initiatives to be enacted if we are to get the job done. I urge the Congress to take immediate action on Administration sponsored legislation for the creation of Enterprise Zones, amendments to the Fair Housing Act, and proposals for tuition tax credits for elementary and secondary education and compensatory education vouchers for disadvantaged children.

The Administration will continue to work with cities and States to finish the important work that has been started.

Representative MITCHELL. Thank you very much.

Governor Hughes, you are on at 10. Could you give us 5 minutes for questioning? How is your schedule running? If we could just take 5 minutes for questioning. Do you want to lead off, Representative Holt, or do you want me to?

Representative HOLT. Well, I will if it's all right with you, Mr. Chairman. Thank you.

Why is the administration proposing housing vouchers?

Ms. KOCH. The program that we found when we came into HUD, the section 8 New Construction Program, was excessively expensive. Nationally it cost an average of $150,000, $175,000 per unit. It already had run up a bill of $250 billion. That's a quarter of the national debt and our great-grandchildren will still be paying for that. And it wasn't meeting the needs, the actual needs of the country, because there was not nationally an availability problem.

Vouchers will provide assistance for three times the number of units that you can provide under the old program and do it more efficiently and more effectively. Vouchers also allow the poor people more mobility because they aren't tied into the old section 8 existing program where there was a ceiling of fair market rents—ceiling—and now they can move to other areas. They can pay more for rent, if housing is a high priority for them. If they can find cheaper apartments they can keep the difference. We think it will work far more effectively and use tax dollars more efficiently.

Representative HOLT. We hear frequently that the administration has reduced housing assistance by a tremendous amount, I think 60 percent is the figure. Is that true?

Ms. KOCH. Well, the administration has reduced budget authority by about that amount, but that is because we have moved away from the new construction program.

Actually outlays since 1981 have been increasing and since 1981, when we came in, we were providing assistance for 3.1 million units. By the end of 1985 that will have increased to 4 million units. So we are actually increasing housing assistance.

Representative HOLT. Apparently the old system wasn't working. We saw less and less housing for people who were truly needy and I think I commend you for trying a different approach.

You commented a little bit about what the administration is doing to increase home ownership affordability. Would you elaborate on that for us?

Ms. KOCH. Let's just note again. When the administration came into office, if you could find mortgage money it was around 18 percent; 17, 18 percent. The rates have dropped substantially, so that has had a big impact on affordability.

At HUD we have also focused on making the FHA programs more responsive to first time home buyers by decreasing the down payment. By proposing more flexible tools we will begin this summer an FHA ARM program. Generally by providing more flexibility and by dealing with regulations. Regulations add heavily to the cost of housing.

At HUD we have redone our minimum property standards, made them much more flexible, and we have said, where local codes are acceptable, then our minimum property standards will see to them. And we are working now in over 20 locations through our joint venture for affordable housing, working with local government, with local builders.

HUD's role is only technical assistance and documenting what is happening to see if by changing certain regulations, permitting procedures and processing we can reduce the cost of housing. The results indicate that in fact you can reduce the cost of a house by 15 to 20 percent if you streamline regulations, permitting, and processing.

Representative Holt. Thank you.

Representative Mitchell. Thank you. I have about five questions and I'll put them to you as quickly as I can, and will you respond as succinctly as possible.

I must say that I really had the eerie feeling that I was rereading Alice in Wonderland. You know, it is incredible. But, nevertheless, I'll try to be very objective and put some nice objective questions to you.

You say you're going to help cities with special problems, right? That's what you said in your statement. We have some: Gary, IN, 23.6 percent unemployment; St. Louis, 11 percent; Cleveland, 14.6; Detroit, 16.1. Take any one of them. What are you going to do to help any one of those cities?

Ms. Koch. I think one of the major things you have to look at is the fact that under a growing economy, industry is coming back rather strongly. We are looking at current figures in manufacturing. And much has been written, had been written——

Representative Mitchell. Specifically, what are you going to do to help Gary?

Ms. Koch. Gary has—cities that have had their economies based on one basic industry which are declining have a special problem. We work through UDAG, we work through CDBG, we provide technical assistance to help them diversify their economies to help them to move from a manufacturing base to service economies.

Representative Mitchell. That's happening in every city.

Ms. Koch. Pardon?

Representative Mitchell. UDAG and CDBG is being used for that purpose——

Ms. Koch. Those are, however, effective programs.

Representative Mitchell. But no, you said special help for special cities. Now those programs apply to many cities. What are you going to do for Gary?

Ms. Koch. The programs we are maintaining we will continue to maintain.

What I'm saying is that those cities are eventually also going to improve through economic recovery. It takes a while but if we notice that manufacturing now is approaching previous highs, that makes a big impact on various cities. Cities have to use—you know, cities like Gary have a great deal of strength. They have trained workers. They have infrastructure in place. We will work with them to help them capitalize on those strengths, to help them diversify. We do this through a range of programs.

In fact, the 10 highest unemployment cities came to HUD and asked for help 2 years ago. We set up for each of those cities a very heavy program of technical assistance. We worked with them in economic development strategies and they have been somewhat, you know, effective. It will take some time. We can't solve all these problems in a short term. These are long-standing problems that have developed over a long term.

Representative MITCHELL. Thank you, that still leaves me with Lewis Carroll.

Now, if it's so beautiful how do you explain the fact that approximately 4 million people have gone back into poverty during the last 3 years?

Ms. KOCH. Poverty is directly related to the national economy. If you look at the figures in the 1950's when this country was growing, when real GNP was growing at about 3 percent, poverty was declining by over 6 percent. When the economy slowed down in the 1960's and 1970's and real GNP was still growing but not as fast, 2.4 percent, poverty was still declining, but only at about 3 or 4 percent.

When the economy slowed down, became very sluggish, at the end of the 1970's, GNP was about 0.9 percent, poverty began to rise and there is a direct relationship then between what goes on. Economic growth and poverty. We would have to look at the figures and we will look at them closely but now with the economy growing again, I think we will see a decline in poverty.

That happens for a couple of reasons, Mr. Chairman. One is generally employment opportunities do help poor people. We looked at 1982 figures and we found that of those who were able to find employment, only 8 percent of the families who worked were in poverty. Of those who couldn't, 42 percent were in poverty; 56 percent of the people in poverty sought and found employment and improved their situation. Of those people, 36 percent would have worked more, if they could have found jobs; 16 percent tried to find jobs and couldn't.

Representative MITCHELL. That does not deny the fact that 4 million Americans went back into poverty. I'm assuming from your long term attitude that—OK, let them go back, let them suffer a little bit. That's a part of the sacrifice, so we'll let it rest at that.

Two more questions. The administration wants to enhance the quality of education. Am I right in assuming it has done so by significantly cutting education programs, which it has done, but is going to rely on a tuition tax credit to offset the damage done by those cuts?

Ms. KOCH. No, the cuts have been accompanied by much greater flexibility in how those funds can be spent and so States and local governments have taken those funds and, according to what they are saying and the reports that are coming in now, and are using them effectively, as effectively. Tuition tax credits does not replace funds provided for education. It is another way of dealing with educational needs.

Representative MITCHELL. Funds have been cut. The funds have been cut consistently; isn't that right?

Ms. KOCH. The funds——

Representative MITCHELL. Isn't that right? At the behest of the administration?

Ms. KOCH. Yes, many funds, Mr. Chairman, admittedly have——

Representative MITCHELL. I'm talking just about education. We are talking about your efforts to enhance the quality of education.

Ms. KOCH. Our efforts to enhance the quality is to raise concerns about what those funds in fact do when they go into schools. Are teachers well equipped to teach? Are students learning what they should learn? And we have had a national report that talks about the educational system in this country as almost a national disgrace. And it's important to focus on the quality of education, as well.

Funds aren't everything if you don't have competent teachers and clear, well-directed school systems.

Representative MITCHELL. I agree the funds are not everything but they certainly are an integral part of enhancement.

I'm not even going to put my fourth question to you. I'll just comment on that.

You said you are going to strengthen civil rights? Is that——

Ms. KOCH. Yes.

Representative MITCHELL. That's going to help the cities? I won't even question you. I will tell you with all the sincerity that I can muster, that the vast majority of the minorities in this country believe that you have betrayed us on civil rights.

You've made the U.S. Commission on Civil Rights, which was our watchdog into a lapdog. You dismantled the EEOC operation, and that's just true. It's phoney and I don't generally talk like this, but it's phoney to suggest that a greater emphasis on civil rights is really what the administration believes in and that it is going to help our urban problems.

I'm not going to ask you to respond because you don't make that policy.

But the clear, distinct perception of the vast numbers of minorities in this country is that we have been sold out on civil rights.

Representative HOLT. Will the gentleman yield?

Representative MITCHELL. Very briefly.

Representative HOLT. I thank the gentleman for yielding.

I want to say that I think that we've pointed out very clearly this morning what the administration's program is all about. For 12 years I've served here in the Congress and there has been an attitude that you can throw money at any problem and that's going to solve the problem. I want to commend the administration and those people who are implementing the policy, including Ms. Koch, for making an effort to take a look at those programs.

Our own State of Maryland has asked us to balance the budget over here. The mayors have asked us to balance the budget over here. You can't keep throwing money out there without taking a look at the way the programs are going to work and balance the budget. We have to do it.

Our kind of spending here was partially responsible for the three deep recessions that we had. We are trying to fight our way out of those now and we are doing a magnificent job. And we are going to make opportunities for everybody. That's the best civil rights in the whole world, is to have strong economic recovery that creates jobs for everybody and makes opportunities for everybody.

And certainly the money we threw at education, the worse education got, so thank goodness that we are really taking a look at what we've done to our children.

Thank you, Mr. Chairman.

Representative MITCHELL. Sure.

And you and I are in agreement, strangely enough. You said the administration's record has been laid out and God knows it has. It was laid out long before this testimony. It's laid out in terms of the number of people going back into poverty, the 50 percent cut in housing assistance funds; and the draconian cuts in education. Yes, we're in agreement. It's been laid out and from this perspective it is an abominable record.

And the testimony that was submitted this morning is again a series of words to mask, I think, an abominable record. Thank you very much for being here.

Ms. Koch. Thank you, Mr. Chairman.

Representative Mitchell. We're delighted that Gov. Harry Hughes, the Governor of my State, was able to take time from his enormously busy schedule to be here with us.

Governor, if you will come right up, please.

Thank you very much. While you are taking your seat, I have several messages for you. Senator Paul Sarbanes is in a Banking Committee meeting. He hopes to get over as quickly as possible. Congressman Jim Scheuer of New York extends his apologies. He has an amendment on the immigration bill, and if he can get his amendment considered, he will join us as quickly as possible.

Again, my sincere thanks to you for being with us this morning.

STATEMENT OF HON. HARRY HUGHES, GOVERNOR OF THE STATE OF MARYLAND

Governor Hughes. Thank you, Mr. Chairman.

I must say, with two Members of Congress from Maryland sitting up there, I feel pretty much at home, and even though you're both from the same State, I have the feeling one of you is going to like what I say and the other one is not going to like it too much.

I do appreciate the opportunity to appear before you on behalf of the people of Maryland to offer our appraisal of the President's 1984 National Urban Policy Report.

I'd like to point out that we've only had this report a very short number of days, so we have not been able to give it the exhaustive kind of analysis that we would like to in the 3 or 4 days that we've had it.

The appraisal that we have made, I regret to say, is not encouraging.

As one who has spent much of the last 4 years trying to compensate for the loss of revenue sharing and other Federal fund cutbacks, plugging and filling and patching and scraping and trimming, I must ask the writers of this report, When did you arrive from Mars?

The report's rose-colored view of what has been happening in America is at distressing variance with what we at the State and local levels have experienced.

For example, it is true, as the report emphasizes, that the inflation rate at 4.7 percent is now lower than at the outset of this administration. It is also true that interest rates at 12 or 13 percent have dropped below the 20-plus percent of 3 years ago. And it is true that the actual number of employed Americans today is at a record high, 104.4 million.

But at what cost have we arrived at these figures? How many workers lost their jobs because of the sudden application of those inflation brakes, because of the rapid rise of interest rates before they dropped back down, because of the administration's drastic cutbacks in domestic spending? How many mortgages were foreclosed? How many small businesses failed?

To ignore these questions on one side of the coin, while quoting glowing statistics on the other, is to deal in the arithmetic of arrogance. People are more than numbers. The heart of a government should be more than a computer.

What we desperately need at this point of our national life is a policy of compassion, not a celebration over the fact that some have survived the recent recession while others—far too many others—have been sacrificed on the altar of Reaganomics.

This exaggeration of progress permeates the Urban Policy Report. In one place after another, statistics are used to support the notion that administration policies of cutbacks in local and State aid are really benefiting local and State governments. To the degree that some of these statistics are valid, I suggest that they are valid largely in spite of administration policy, not because of it.

For example, in one passage of the report, Baltimore is mentioned among cities whose economic progress can be attributed to the urban policy of the administration. Economic progress? Yes, our great Port City of Baltimore has been held forth to the entire Nation as an example of how an older city can be revitalized.

Since World War II, a marvelous renaissance has taken place in downtown Baltimore. It began with the Charles Center office complex more than two decades ago. It proceeded with the construction of the Mechanic Theater and its commercial companions—dining and banking establishments—in the midsixties. It reached a breathtaking climax in the late seventies, with the dedication of our spectacular waterfront development, Harborplace.

We in Maryland gratefully welcome the acknowledgment of this progress in the President's report. But any suggestion that the credit for this should be shared by the present national administration merely serves as a reminder of the maxim that, while failure is an orphan, success is claimed by a thousand fathers.

The fact is that the renaissance of downtown Baltimore began long before this national administration developed any urban policy or, indeed, before this administration was born. Unfortunately, the urban policy of this administration actually poses a threat to continued development in Baltimore and throughout Maryland, because of its proposed thrust against the use of industrial development bonds to finance such development. Such bonds have not only been greatly responsible for the success already experienced in the development of downtown Baltimore and other areas of Maryland, but are also critical to continued development.

The President's report refers to the expectation that businesses will invest more than one-half a billion dollars in commercial and retail development in Baltimore in 1984, but of this amount, and this amount really is closer to $400 million, a huge portion involves projects, wholly or greatly dependent on parking garages to be financed through industrial development bonds. About $60 million of this planned development, in fact, is attributable to the parking projects themselves.

It seems to us somewhat ironic that the administration applauds Baltimore City's efforts, when it is also attempting to significantly limit the effectiveness of one of the city's main economic development tools—industrial development bonds. Baltimore, like many other urban centers, depends heavily upon innovative financing to offset other factors in its economic development efforts.

Legislation, H.R. 4170, is now in conference committee to significantly restrict the ability of Baltimore City and other cities to issue these IDB's. The administration, and specifically the Treasury Department, has strongly supported this legislation to restrict those bonds.

The per capita provision and other provisions in H.R. 4170 will severely limit the availability of this tool for Baltimore City. In 1983, Baltimore City issued $105.1 million in IDB's to finance 30 economic development projects. The cap provision in H.R. 4170 will limit Baltimore City in 1984 to an allocation of $59 million, approximately one-half of the 1983 level. We will attempt to do all that we can at the State level to mitigate this impact on Baltimore City, but the entire State will suffer a shortfall of close to $100 million in 1984 from 1983 levels.

As the chairman is well aware, I have repeatedly urged the Maryland congressional delegation to oppose the cap and other provisions restricting the use of IDB's in H.R. 4170. Baltimore City and the State of Maryland have used IDB's and tax-exempt financing in a responsible manner to further their economic development efforts. It is important that Congress examine IDB legislation in a responsible manner and not be shortsighted in that evaluation. The long term and overall economic benefits should not be overshadowed by a narrow examination focusing on tax policy and the immediate revenue loss to the Treasury.

I would urge that the Congress not further restrict IDB's until there is a thorough evaluation made of the changes the Tax Equity and Fiscal Responsibility Act of 1982 made to IDB's. Besides sunsetting small issue IDB's as of December 31, 1986, this legislation imposed reporting and public-hearing requirements and restrictions on eligible activities.

It would appear that the appropriate response of the Congress would be to review the entire subject of small IDB's, presumably in connection with the 1983 sunset, after there has been a reasonable opportunity for the TEFRA changes to take effect. TEFRA was meant to address certain perceived abuses in the use of small-issue exemption IDB's, and time should be allowed to see if TEFRA adequately addressed these perceived abuses.

Congressional action so soon after TEFRA would make a mockery of the extensive work done on both sides of the issue in fashioning the IDB provisions in TEFRA. Let's see if the present medication is working before prescribing further medication, some of which could be lethal.

It is interesting to note that as Congress is restricting IDB's, it is also reauthorizing the issuance of single-family mortgage-revenue bonds. Both the Tax Equity and Fiscal Responsibility Act of 1982 and the Mortgage Subsidy Bond Act of 1980 were enacted without due consideration of the housing industry and the provision of homeownership opportunities for moderate-income families.

Realizing the shortsightedness of this approach, the Congress and, reluctantly, the administration, are removing the sunset on MRB's. The sunsetting of MRB's has also hurt Baltimore City, for this program enabled the State to provide 733 mortgages totaling $22.8 million in Baltimore City during a 3½-year period.

In another important Federal program, urban development action grants—UDAG—the administration rightfully recognizes the tremendous results achieved by Baltimore City through the use of this program. Yet the administration has not seen fit to increase the funding for this program since taking office.

Finally, there can be no viable national urban policy without an active Federal role in housing for low- and moderate-income citizens. While I applaud the new development grant program and rental rehabilitation program, the limited funding for these programs, $615 million for 2 years, will in no way offset the administration's termination of the section 8 subsidy program for new construction. It is important that the Federal housing role grow rather than shrink, if we are to have a viable national urban policy. Maryland, like most States, is increasing its housing effort, but the demand and national scope of the housing problem require a significant Federal presence.

At another point, the report tells us that assistance to the needy has increased and has become more effectively targeted at all levels. In apparent support of this statement, it goes on to say that, with the increased State responsibility for medicaid, the percentage of recipients below the poverty line grew from 53.3 percent to 59.1 percent between 1980 and 1982.

In all candor, I am puzzled by the value of this statement; for, with this increased responsibility, the State of Maryland has lost more than $14 million in medicaid funds since 1982. And that amount would have been more than double, if we did not have one of the Nation's most effective cost-containment programs.

So I wonder: When we speak of "effective targeting," do we intend that the State be the target?

I also wonder: Does this increase in recipients below the poverty line mean that more citizens have dropped below the poverty line and have therefore become eligible for medicaid?

Another puzzling statement in the report is that the budget positions of State and local governments have been significantly enhanced. To support this, the report tells us that State and local operating budgets moved into a sharp $15 billion surplus in 1983. In fact, I think that was just testified to previously. The report must be using figures different from those of the National Governors' Association, which tells us that the surplus for 50 States was less than $2 billion for the same period. That is an extremely thin layer of ice. For this year, it is expected to be around $3 billion surplus; next year about $3.6 billion surplus, and three States make up about 60 percent of that surplus estimated next year, California, Wisconsin, and Minnesota.

Maybe one of the problems here is that the figures that we are using, which are the most significant, important figures, are the general fund figures of the State, not capital funds, not highway trust funds—those are all committed for specific purposes. What you fund education out of and what you fund medicaid out of and welfare programs out of is general funds. And that is the significant figure and that is a figure that is about $3 billion for this coming year, not a $15 billion.

And compared with the bright picture painted by the Urban Policy Report, a much darker view is offered in a recent article by David J. Levin, an author whose analyses in the past have been used by the Reagan administration to support its contention that the States are faring well under its policies.

Writing in the March 1984 issue of "Survey of Current Business," Mr. Levin says this—and I quote:

> Despite the swing to surplus in 1983, there are indications that many states and localities face a year of uncertainty. Several states have run down reserve funds to very low levels. For example, George's reserve recently was as low as $9 million, the lowest in 115 years. Mississippi is projecting a deficit in fiscal year 1984, even though spending has been reduced by $250 million. States such as Texas, Oklahoma, and Louisiana face budget problems because of their dependence on the depressed petroleum industry.

In Maryland despite the nationwide recession of the early 1980's, we have made great strides toward reversing a loss of manufacturing jobs. Less than 10 years ago, a Johns Hopkins University survey reported that more than 40,000 such jobs were lost in the midseventies from Maryland.

We turned that around by dramatically increasing the resources of our Department of Economic and Community Development and by aggressively promoting the advantages of doing business in Maryland. As a result, the commitment of new capital investment by newly located or expanded businesses in Maryland average more than $1 billion a year for each of the last 5 years, which is nearly four times the rate for previous years. This has meant tens of thousands of new manufacturing jobs in our State, but despite this and despite a continuing decline in our unemployment to 5.1 percent, its lowest point in 6 years, our problems are far from over.

In fact, this progress for overall population merely dramatizes the widening gulf between those benefiting from a general recovery and those typical young males in our inner cities who remain stranded in the ranks of the unemployed. Also stranded are young working mothers, hurt by the reduction in support for day care, AFDC, and similar domestic programs.

These are among the casualties in our war against inflation. These are among the victims of insensitive policies masquerading under the euphemism of "new federalism."

And before we begin gloating about signs of improvement in some segments of the economy, we might pause to reflect on a few other signs. These include 13½-percent interest rates which still hamper the residential real estate market. They include a production rate of only 81.7 percent of plant capacity. They include a warning by a Wharton economist Rob Westcott that the current limited economic expansion could be converted into a new recession in 1984 because of high interest rates.

Mr. Chairman, members of the committee. I did not come here today as an economist, but as the Governor of a State which has struggled vigorously, and thus far, successfully, to overcome the harmful effects of Federal administration policies on our economy and, more importantly, on our people. But that struggle and that success cannot continue indefinitely, if these policies remain unmodified.

I come to suggest caution in our appraisal of statements made in this report about administration initiatives, about greater flexibility and control by State and local governments, and about shifted funding priorities. All these, I submit, boil down to the stark fact that this administration has said to the least fortunate members of our society—our poor, our elderly, our handicapped—"Do more with less."

In the long run, I submit, this is not good citizenship. It is not good business. It is not good government.

Thank you, Mr. Chairman.

Representative Mitchell. Thank you, Governor. I have known you a very long time, from the days that you served in the Maryland General Assembly, and I don't think I've ever heard you more eloquent than you were this morning.

I really want to thank you.

Congresswoman Holt has to go to a meeting, so we'll let her lead off the questions.

Governor Hughes. OK.

Representative Holt. Thank you, Mr. Chairman, and thank you, Governor Hughes.

I want to commend you on one particular paragraph and the job that you've done in the State of Maryland, and say that you've turned around by dramatically increasing the resources of our Department of Economic and Community Development, brought in new business into the State. I think that's wonderful, and I think that's exactly what the administration is trying to do, States operating with surpluses. We have about a 100 and almost $70 billion deficit here in the Federal Government that we're struggling to reduce.

Are you concerned about the Federal deficit?

Governor Hughes. Oh, sure I am.

Representative Holt. I notice that the legislature—you're very capable and very astute, how would you reduce it?

Governor Hughes. Well, I am concerned about it and let me just mention something briefly before I respond to that.

As you know, the State of Maryland does have a requirement for a balanced budget and I gave you some of the accurate surplus figures. And at this time last year I was facing a $50 million deficit in our State budget.

Representative Holt. Mr. Goldstein always comes up with a good surplus in——

Governor Hughes. Well, it took some effort to balance out the books and that's just about what we're going to do as of this June 30, with probably no surplus.

And our estimate for next year is going to be—at least I'm not looking at a $50 million deficit. I'm looking at balancing out the books. So it isn't quite as rosy as a lot might say it is and it isn't rosy as it was a few years ago.

Yes, I'm for reducing the deficit. I think it's one of the biggest problems that we have. I would not have reduced—tried to reduce the deficit by very costly tax cuts and huge increases in defense spending.

As I said, I'm not an economist but I really think I know enough to say that that isn't the way to reduce the deficit.

Representative Holt. Let me interrupt right there and ask one question.

We have actually increased our defense spending about 3.4 percent each year by the time it works its way through the Congress. Most of this goes to our personnel.

You were aware of the fact that we had sadly mistreated our military personnel. You certainly wouldn't object to giving salary increases and a better standard of living to personnel, would you?

Governor **Hughes**. No, I wouldn't object to that. Again, I'm not as familiar with that defense budget as you are.

Representative **Holt**. Well that takes up most of the 3.4 percent that we have increased it. In tax reductions—every economist that has come before this Joint Economic Committee has told us that the tax reductions have fed the economic growth.

Representative **Mitchell**. Young lady, that's not quite accurate.

Representative **Holt**. Well, let me—maybe I shouldn't say every one of them.

Representative **Mitchell**. No, you shouldn't.

Representative **Holt**. Most of them. Almost without exception.

Representative **Mitchell**. Some of them.

Representative **Holt**. And they say that——

Governor **Hughes**. You will never find all economists agreeing on anything.

Representative **Holt**. That's right. You're absolutely right. But there's more agreement on this one point that this tax reduction has fed the economic growth. Consumer spending last year, that did a lot for the economy of Maryland, didn't it?

Governor **Hughes**. Yes, it did. We're realizing some increase in our sales tax revenues. But at the same time the Federal deficit is growing, so I can't——

Representative **Holt**. Well, wait a minute. I disagree. The Federal deficit is coming down. At the beginning of this year it was projected at $200 billion and now it's under $170 billion. So I think that the economic recovery is bringing that deficit down. And to me that's the only way to go is to continue this kind of economic recovery. And this is the testimony that we've gotten here in the committee.

The point I'm trying to make is that I think that you and Mayor Schaefer are good examples of the way that the administration is trying to rearrange our Government cooperation, our cooperation with the private sector, to really produce a good, stable, growing economy that's going to provide for the needs of all the people of this country.

We're rich, we can do it. And I think you're doing a beautiful job and you've said so in your statement. And Mayor Schaefer's using everything to the best of his ability. And I think he's doing a super job.

Let me ask you about one thing. You recently founded a high-technology force consisting of representatives from industries and universities to recommend a State policy to encourage expansion to technology-intensive sectors.

How's that going, what's the role of the private sector.

Governor **Hughes**. Well, the role of that group is to make sure that we in Maryland keep pace with the growth in high technology.

We have, as you probably know, in the triangle between Baltimore-Washington, and Annapolis, particularly at the I–270 corridor, we've realized tremendous growth in high tech industries.

And the reasons for that, the location next to the Nation's capital, the largest available pool of scientists and engineers in the country in the Baltimore-Washington area. Not to mention the fact that Maryland's just the best place in the country to live, which is one of the important things.

But we want to make sure that we keep pace with producing the engineers that are needed. Keep pace with the venture capital, which is a problem. Providing venture capital for these firms. That's the idea of this task force so that we do keep pace in education and other areas. So there's some good people on there.

I might say that I do think we've done a fairly good job in promoting economic development. I don't think my statement said I'd done a beautiful job, but——

Representative **Holt**. I said that.

Governor **Hughes**. You said that, all right.

But we had to spend money to do it. I had to increase the budget of that Department of Economic and Community Development significantly over the last 4 years. But it's paid off.

My concern is when we don't have enough money, you know, for slots for day care. It's a real problem. We're not meeting that need. We're having to put in containment costs in the medicaid program that I don't like to do but we have to do it.

Representative **Holt**. Is that bad?

Governor **Hughes**. Yes. Some of it could be.

And we're making every effort that we're not going to have a two-level, two-class system of medical care in Maryland.

And in bringing the cost containment into line, we made a deliberate decision that no one would be rendered ineligible for medical care. And it's working fairly well.

For example, the Wick program. Very, very good program. I think the studies have shown that a dollar spent there through the nutritional package, you save $3 in medical care.

We've had problems with that program in Maryland. One of the problems that we've over-signed up people. I think the national average is about 37 percent of those who are eligible, are on the rolls. We're over 50 percent in Maryland.

The way that program works is that once someone is put on the rolls, then they are entitled to stay on there for 6 months. If the Federal funding runs out, the State has to pick up the funding.

And there is an encouragement not to put everybody on 100 percent. I've never heard of a program that's designed to help people, designed to help pregnant mothers, infants with medical problems, through nutritional packages. But you're not supposed to put all of those people on those rolls and give them that help.

We're probably going to have to cut back to get down to the national average because there just isn't sufficient funding there for us to put on the rolls all those people that should be on there.

That to me is a silly way to implement a program. It's these kinds of things that bother me. The day care centers, the cuts in education.

Representative **Mitchell**. Thank you for being here again, Governor. I want to thank Representative Holt.

I want to apologize. Many members of this committee were intensely interested and had committed themselves to be here. We do not control our own schedules.

Therefore, some of those members had to attend other committee meetings. I'm going to stay because, although we have the immigration bill on the floor, I think it's more important that I stay here and even avoid some of the more silly votes that they might offer today.

I really don't have any questions. I just have a few comments to make.

You said that it appears that the report had been written by people from Mars. You're much more up to date than I am. I'm older than you are and I was talking about Alice in Wonderland, but I think we're coming from the same perspective.

Governor HUGHES. Well, we're in the space age now, Mr. Chairman.

Representative MITCHELL. Well, the authors of the report were in space. It's cruel, really, to put out a report that is so deceptive.

And it's part and parcel in my opinion of the practice of this administration to take credit for things that it has no right to take credit for.

What we did in Baltimore was done long before we had Reagan in the White House. We get testimony from the administration about community development block grants and UDAG grants. And that's just not true, these were programs instituted by Democratic Presidents.

And I must say that I get pretty disturbed by what appears to be a pattern of deliberate fabrication and deception which is practiced by this administration to make itself look good.

I've got some good news for you. The entire Maryland delegation, including Congresswoman Holt, is in support of your position on industrial revenue bonds. We're solid on that.

Governor HUGHES. Thank you.

Representative MITCHELL. Just one comment on the defense spending. You suggested that it could be cut and should be cut. And I agree.

I served on the Joint Committee on Defense Production until it was abolished. It was abolished when I was to become chairman. They sort of ended that one at that point.

But it was a very gratifying experience and I learned quite a bit. Five years ago, as much as 5 years ago, there was more than $110 billion in research and development funds, which were not obligated to any program and had not been expended for any program; $110 billion.

When I questioned the military about it and they said, well it takes 5 years to do effective research to produce the weapon. And I agree.

But generally what has happened is at the end of 5 years when they perfected the weapon it's already obsolete. They come up with a new tank that has all kinds of problems. Somebody else has produced a superior tank.

So there is money in defense. Look at the research and development program, I don't know, do you know what the current figure is in unobligated? It's certainly more than what it was 5 years ago; $110 billion. And meanwhile we can't sustain a WIC Program. You're dead on target.

Thank you very, very much for being here.

Governor HUGHES. Thank you, Mr. Chairman.

Representative MITCHELL. Your testimony was eloquent, just eloquent.

Mr. Mayor, I want to thank you for being here. I'd like to believe that you are here partly because of your duty to your country, partly out of our friendship.

It's always incredible for me that a mayor can take time, a mayor of a big city can take time to come before us to testify, knowing the myriad of demands that are on you.

And it's the usual protocol to say that we are profoundly grateful. That's not a hackneyed expression on my part. I am sincerely and deeply grateful that you can be with us. Please proceed.

STATEMENT OF HON. MARION BARRY, JR., MAYOR, DISTRICT OF COLUMBIA, ACCOMPANIED BY PAULINE SCHNEIDER, DIRECTOR, OFFICE OF INTERGOVERNMENTAL RELATIONS; AND EDWARD M. MEYERS, PROJECT DIRECTOR, MAYORS' NATIONAL URBAN POLICY REPORT

Mayor BARRY. Thank you, Mr. Chairman. Let me thank you for your leadership on this subcommittee and thank you for your leadership in the Congress of the United States of America. And also thank you for your support for the District of Columbia.

As you we're without voting representation. We pay taxes but the Congress has not seen fit to give us full self-government. So I want to thank you for voting for us on those matters. They're important to us in the District of Columbia.

Mr. Chairman, I'm appearing here today with three hats. One is Mayor of our Nation's Capital. Also, as president of the National Conference of Black Mayors. There are some 255 black mayors in America now and I have the distinct honor of being elected their president for the next 2 years at our annual convention in St. Louis, MO.

Also, Mr. Chairman, I appear here as chairman of the special committee on the National Urban Policy for the U.S. Conference of Mayors.

With me this morning are Pauline Schneider, to my right, director of my office of intergovernmental relations. To my left, Ed Meyers, project director of the mayors' national urban policy report.

Mr. Chairman, let me congratulate you on holding hearings to examine the President's National Urban Policy Report.

I believe it's essential that the American people gain a full understanding of today's urban conditions, develop a plan for the future, rather than just rely on the President's report.

Mr. Chairman, I took time out of my schedule to come because I think these hearings are important. We need to use every forum we can to advocate our point of view and to call to the American people and call to the Congress' attention, the inadequacy of the present report or, in some instances, statements and analysis that are not correct from a mayor's perspective.

Mr. Chairman, mayors are unique, as you very well know, in the sense that we are at the front line of where we are in our cities. We're the ones who have to face hungry mothers with children. We're the ones who have to face the homeless. We're the ones who have to face the jobless. We're the ones who have to see our mass transits not completed. We're the ones who have to see all the other problems confronting our city first hand. That does not mean others don't see it, but we have the first line of defense in this matter.

And as a result of that view, the U.S. Conference of Mayors has been working for the past 18 months on a comprehensive, national urban policy. We were doing this in anticipation of the President's report.

We know that the philosophy of this administration is not procities and therefore we do not expect much. In that report we wanted to offer some positive alternatives.

And we also said, Mr. Chairman, other mayors on this committee are Richard Caliguiri of Pittsburgh; Mayor Cooke of East Orange, NJ; Dianne Feinstein of San Francisco; Vincent Thomas, mayor of Norfolk, VA; Kirby Whitmire of Houston, TX; and Ted Wilson of Salt Lake City, UT. As you can see mayors of large cities, medium and small cities from the East, the Central and the West have been involved with this report.

I'm happy to submit this report to you, Mr. Chairman. It is rather lengthy, but I would—our problems are great and therefore it takes a lot to describe how to solve them.

Representative **Mitchell**. The summary of the report in its entirety will be submitted as a part of the hearing record.

[The information referred to follows:]

SUMMARY

MAYORS' NATIONAL URBAN POLICY REPORT

U.S. CONFERENCE OF MAYORS

SPECIAL COMMITTEE ON A NATIONAL URBAN POLICY

JUNE 16, 1984

Special Committee Members:

Hon. Mayor Marion Barry, Jr., Chair
Hon. Mayor Richard S. Caliguiri
Hon. Mayor Thomas H. Cooke, Jr.
Hon. Mayor Dianne Feinstein
Hon. Mayor Vincent J. Thomas
Hon. Mayor Kathy Whitmire
Hon. Mayor Ted Wilson

John J. Gunther, Executive Director, U.S. Conference of Mayors
Edward M. Meyers, Project Director, Mayors' National Urban Policy Report

SUMMARY:
MAYORS' NATIONAL URBAN POLICY REPORT

Following is a summary of policies proposed by U.S. Mayors to improve the urban condition. For detailed support for each of the policies, refer to the report chapters.

I. The Social and Economic Conditions of America's Cities

Clearly the nation has adopted a new set of priorities in recent years. In 1980, the domestic share of the budget was 69%, while in 1984 that share is 61% and projected by the Congressional Budget Office to fall to 58% in 1985. The difference has gone to vast defense and interest spending increases.

Budget reductions in recent years have affected cities and their residents in nearly every area. Following are but a few examples:

- Revenue sharing from the federal government today is worth just 46 cents, in real dollar terms, for each dollar received ten years ago.
- Crime fighting assistance to state and local governments is only one-fifth the 1975 level.
- Student loans have declined 27% since 1981.
- Housing assistance has been slashed by over 60% since 1981.
- Employment and training funds have been cut by more than half since 1981.
- Mass transit operating assistance has declined by 21% since 1980.
- The Social Services Block Grant, providing child welfare services, child care, aid to the elderly, and many other services, has been cut by 14% since 1981.
- Child nutrition has been cut 28%; food stamps were reduced 13% since 1981.
- In all, the Congressional Budget office estimates a $110 billion reduction in the human service budget since 1981.

Social and Economic Conditions

The era of concern for cities seems to have been the 1960s, leading many to believe that the problems of cities, while still severe, are at least improving over time. However, the facts reveal continuing and accelerating deterioration in urban conditions.

A. Population

Between 1975 and 1980, 80 of 153 cities surveyed lost population. Many cities lost considerable numbers of their citizens in the last decade (St. Louis, 27%; Cleveland, 24%; Buffalo, 23%; Detroit, 21%, etc.). Meanwhile, suburbs gained 18% in population in the last decade. Those lost to the suburbs usually have much higher incomes than those remaining.

B. Poverty

One of every five city residents lives in poverty -- more than double the suburban rate. The poverty rate among black city residents is 44.5%, while 42.9% of all urban Hispanic residents live in poverty. More than 70% of black and Hispanic children in female headed households live in poverty, with the numbers of these households growing more than 50% in the last decade.

In cities, where there are now 12.7 million poor, the poverty rate increased from 15.7% in 1979 to 19.9% in 1982.

C. Income

Suburbs have a 29% advantage over cities in median family income; the gap is 41% in the largest cities. The city-suburban income gap was 20% in 1969, 13% in 1959, while in 1949 city residents had greater income (and greater taxpaying ability) than suburban residents.

D. Joblessness

With the nation in economic recovery, we can note significant improvements in urban unemployment rates. Yet what remains is double-digit structural (as opposed to cyclical) unemployment for many cities, a considerably more devastating phenomenon than temporary economic hardship. At the end of the first quarter, 1984, following are but a few of the cities with double digit unemployment: Gary, 24%; Youngstown, 19%; Birmingham, Buffalo, Fresno, Cleveland, 15%; Mobile, Jersey City, Akron, 14%; with Newark, Chicago, Cincinnati, Pittsburgh, St. Louis, Dayton, Washington, D.C.

and several others in double digits as well. Will the nation's employment and economic policies play in Peoria, where the rate is over 14%?

Black unemployment rates in those and other cities are typically double or more the white rates -- depression levels by any standards, even in times of general recovery. Moreover, we seem to be preparing not at all for the inevitable next recession.

E. Education

Urban school children have made remarkable progress in recent years, cutting suburban advantages by half or more in math and reading proficiency tests. Nonetheless, there is a long way to go. Reading and math proficiency scores are still much higher in the suburbs than in cities among older youth. It is routine to find, in city after city, three times or more the rate of college graduates among whites as among blacks. While the gaps have been closing, educational funding for the economically disadvantaged has remained the same for several years losing considerable ground to inflation. Currently, only 45% of economically disadvantaged children are being served, because of insufficient funds.

F. Crime

Reductions in crime of 10% in many areas over the past two years have lulled some into a false sense of security. The crime rate today is still double the level of twenty years ago. The crime rate in cities is more than double the rate of the suburbs and more than four times the rural rate.

G. Tax Burdens and Budget Deficits

Because cities shoulder a disproportionate share of America's poverty-related burdens, city residents on average pay 23% more in local taxes than do suburban residents. Many city residents, of course, pay much higher than these average figures. Despite the heavy tax load, 64% of cities are forecasting deficits. Revenues are increasing at a rate of 3.5% annually, while expenditures are growing at a 8.7% rate.

H. Political Influence

Today there are 79 urban Congressional districts, 228 suburban districts and 128 rural. As recently as 1970, cities held a 148 to 144 seat advantage over suburban interests in Congress. Political might is turning federal priorities away from those who need help the most. Urban contigents in Congress are no longer able to enact urban remedies; instead we must depend on the wisdom and compassion of others to awaken to the trends and take necessary action.

II. Financing Urban Development in Urban Centers

None of the other proposals in the Mayors' National Urban Policy Report can be truly successful without infusions of capital into urban centers, creating jobs and rebuilding local economies. To provide the basis for economic revival, mayors propose a national urban development bank, with low interest loans and direct financial assistance, (1) to retain and attract businesses in economically distressed urban centers, and (2) to rebuild the urban infrastructure.

The bank would disburse funds through state and local economic development corporations or agencies. The bank would be capitalized initially with $5 billion per year over a four year period. In addition, the bank would be authorized to issue debt instruments of $50 billion a year, thereby providing a $55 billion annual infusion into urban economies. These funds would then be leveraged to spur considerable additional private investment of two to three times this level. Assistance is targeted to central cities and other areas with high distress factors, such as high unemployment, low job growth rates, and slow population growth or decline. Firms must meet strong affirmative action requirements to obtain funds.

Successful models of credit corporations, banks, loan and loan guarantee programs and the like are well established in the American tradition to assist energy suppliers, agriculture, exporters, transportation industries and many other businesses over the years. However, of the more than $100 billion in total federal assistance to U.S. businesses, just $1.5 billion is targeted specifically to cities. This imbalance must be corrected. The economies of urban areas -- with high unemployment, deficit-ridden local governments, heavy taxes, business losses, population losses, excessive poverty and public assistance burdens, high crime and so forth -- cannot possibly be turned around without significantly higher levels of targeted stimulus.

The funds would not be given away to failing enterprises. Rather, the loans and loan guarantees would go to firms which have an excellent chance for economic recovery, expansion and job creation. Public funds would provide the leverage necessary to entice private capital to private sector economic development projects. The loans repaid to the bank would join the pool of funds available for future loans, enabling the bank to be self-sustaining over time.

The bank is not a novel or experimental concept; section II of the report details dozens of tax breaks, research grants, credit corporations, banks and other entities which presently assist affluent corporations in economically healthy areas. The bank is intended as a partial restoration of economic balance, helping individuals, cities and entire regions move from dependence to self-sufficiency.

Additionally, mayors advocate support of existing economic development tools: urban development action grants, community development block grants, Economic Development Administration grants, Small Business Administration assistance and industrial development bonds.

III. Fiscal Assistance to Cities

Many cities have for several decades now been trying to cope with a disproportionate share of America's social and economic problems. Without adequate outside fiscal assistance, cities continually must increase taxes, lay off employees and reduce services, driving out businesses and residents.

Mayors propose a major targeted fiscal assistance program, triggered in any time that unemployment is higher than 6 percent nationally. The $4-plus billion program is funded at $500 per unemployed person nationally, and is targeted to the most distressed communities. Unemployment in the allocation formula is used as a proxy for a wide array of symptoms of economic distress. For example, cities which have double digit unemployment levels at a time when the nation has just 7 percent unemployment, would receive a disproportionately large share of the targeted fiscal assistance dollars, thereby helping to equalize social and economic burdens among jurisdictions. With these funds, urban governments would be better able to restrain taxes and maintain service levels -- to retain and attract businesses and residents, rather than driving them away. The added funds would also better enable cities to cope with their citizens' excessive poverty burdens. Moreover, the funds would have the effect of creating 500,000 jobs in areas which need an employment stimulus the most.

Mayors also support fully the concept of general revenue sharing, and offer formula modifications which enhance targeting of funds to communities most in need of assistance.

IV. National Employment and Training Policy

Since 1980 federal funds for employment and training programs have been cut in half. The Job Training Partnership Act (JTPA), the nation's employment and training program, today serves only 3.7 percent of the eligible, economically disadvantaged population.

As of April of 1984, cities such as Gary, Detroit, Birmingham, Cleveland, Dayton, Pittsburgh, St. Louis, Washington, D.C., Newark, Cincinnati and several others had unemployment rates remaining in double digits -- with the majority of those cities reporting rates above 12 percent. It is clear that the urban employment problems are primarily structural -- not subject to the "cure" of an economic upswing. Black unemployment is nearly 16 percent -- depression level by any standards -- and black teen unemployment is nearly 45 percent.

In addition to targeted fiscal assistance (chapter II), which primarily aids urban governments to cope with distressed economic conditions, mayors also urge a job creation program to reduce unemployment by a minimum of one percentage point. These funds would be targeted to the economically disadvantaged. Funds for the JTPA should be restored at least to Comprehensive Employment and Training Act (CETA) levels.

Beyond meeting these immediate needs, mayors recognize the need for a national employment and training policy, which would identify economic and technological trends; determine long and short term education and training needs; develop workable affirmative action measures to assure equal opportunities for minorities, women, the economically disadvantaged, youth, aliens and refugees, and ex-offenders; and determine the appropriate roles of the various levels of governments and the non-governmental sectors in achieving full employment.

The national employment and training policy is literally long overdue, since it essentially carries out the mandates of the Full Employment Act of 1978, which required the adoption of annual quantified employment goals and a specific plan to achieve those goals.

V. National Equal Opportunity Policies

It is clear that the nation has never made a sincere commitment to equal opportunity. Explicit plans to achieve equal economic opportunity and full integration of the American labor force and society have not been drawn. Instead, policy-makers rely on natural evolution, as if time itself would bring needed change. However, the proportion of blacks earning under $10,000 is greater today at 40.4% than it was (in constant dollars) in 1970, when the proportion was 36.5%. The ratio of black-white income is even lower today (at $55 per $100 of white income) than it was in 1970 (at $61). Women today still earn only 63% of the earnings of men.

Black unemployment has remained over 15 percent for an extended period of time -- double or more the white rates -- and Hispanic unemployment is well into double figures. Today 47% of black children are growing up in poverty. Among black and Hispanic children growing up in female headed households, 71% live in poverty. Moreover, 26% of black families headed by high school graduates live in poverty, while just 21% of white families headed by someone with an eighth grade education or less live in poverty. In fact, black male college graduates have a lower median income than white male high school graduates. Despite the myths that "America is bending over backwards" to change, race and sex equality is not anywhere near a reality.

The U.S. Conference of Mayors advocates the following proposals to improve the effectiveness of equal opportunity efforts:

- The President and Congress should demonstrate their support for equal employment opportunity by convening a top-level panel to develop a specific, achievable national affirmative action strategy. The panel would be composed of civil rights leaders, union officials, business leaders, legal scholars, and affirmative action experts from the Department of Labor and the Equal Employment Opportunity Commission. Its purpose would be to develop specific legislative amendments or initiatives, executive orders and other short and long term strategies to achieve fully representative levels of minorities and women, at all salary levels, in the private and public sectors. Without such a specific course of action, the nation is implicitly condoning inequities.

- Resources for job training programs should be significantly expanded, with affirmative action standards applied for program participants.

- The federal government should implement strengthened goals and timetables for contracting with minority and women-owned firms, with mandatory participation by all federal agencies. A free enterprise society with shared opportunities is possible only when business ownership as well as jobs is opened to citizens of all races and both sexes. With 30,000 prime contractors and thousands more subcontractors, employing over 30 million people, federal contracting is a powerful instrument for opening our society. The establishment of specific goals and timetables for use of minority and women-owned firms should be set at a sufficiently high level (e.g. 10 percent targeted for minority-owned firms) and closely monitored and enforced.

- Federal law should require state and local governments to implement their own contracting programs with minority and women-owned businesses, with specific goals and timetables.

- The federal government should award added points in the bidding process for federal contracts to minority and women-owned firms. Bonus points should also be awarded to all firms (white or minority owned) which have received certificates of merit by meeting affirmative action goals.

- Debarrment -- loss of federal contracts and opportunity to bid -- for firms which persist in not meeting affirmative action standards should be used with greater frequency.

- The federal government should also develop business incentives through the federal tax system or via favorable investment assistance to achieve fair representation of minorities, women and the handicapped at all wages and salary levels (whether or not those firms are federal contractors).

- A Civil Rights Block Grant could be explored to aid state and local enforcement efforts, assist them in investigation of systemic discrimination, and help them establish or enhance state and local government contract compliance and minority and women-owned business development programs.

In addition to the above, mayors ask national policymakers to consider the benefits of purely voluntary measures, with the help of Presidential leadership. For example, businesses can receive Presidential recognition -- a certificate of merit -- when they meet affirmative action employment goals for minorities and women at all salary levels. These certificates can be displayed across the nation, building the national commitment to equal opportunity

-- and also aiding people in selecting stores and other businesses in which to shop or otherwise do business. Routinely, the President and other policy-makers could ask businesses whether or not they have earned certificates of merit, in sharp contrast to the current practice of seldom questioning a business' commitment to equal opportunity.

VI. Housing and Community Development.

Since 1980, no single component of the federal budget has been slashed as deeply as housing--almost 60 percent. Moreover, new construction and substantial rehabilitation of housing have been virtually eliminated as federal programs. The result will primarily be felt in years to come, as the "pipeline" of commitments made in prior years dries up and no additional resources are made available to replace them.

The housing shortage and cost escalation have had a profound effect on all income levels. However, it is clear that the housing crisis especially affects low income households. Of the 2.7 million renter households in the U.S. having under $3,000 in income a year, 79% pay over half of their income to rent. For the 9.2 million renter households having under $7,000 in income a year, 55% pay over half of their income for rent. In contrast, of the 5.2 million renter households having more than $20,000 per year in income, one-tenth of one percent pay over half of their income to rent and only 7% pay over 25% of their income to rent.

Since the inception of federal low-income housing assistance in 1937, the federal government has spent only about $35 billion in actual payments for lower income assistance. By contrast, the federal government in 1984 alone subsidized middle and upper-income homeowners with $35 billion in tax subsidies through homeownership deductions. The annual subsidy to middle and upper income households equals the entire amount ever spent for low income housing assistance.

The homeowner in America needs continued assistance. But equity in our society demands that the vast differential in these two sums be rectified. A nation cannot prosper by providing generous subsidies to those who can afford to own their homes and denying assistance to those who cannot.

Mayors recommend the following policies:

- The Conference of Mayors calls on Congress to fund the comprehensive public housing modernization program at adequate levels--at least $2 billion per year--until work necessary to bring public housing units up to acceptable standards has been completed.

- Mayors call on Congress and the Administration to provide operating subsidies to public housing through a formula allocation which realistically supports the operation of the units.

- Mayors support continued authorization and appropriation for the conventional low-rent public housing program, with sufficient funds available to provide at least 5,000 units of development a year over the next ten years.

- Mayors support the development and rehabilitation of at least 100,000 units of rental housing for low and moderate income households per year. Using programs enacted by the Congress in 1983 to meet this goal would require at least $5 billion in additional budget authority. The Conference of Mayors supports a level of funding at least this high as the minimum necessary to meet the needs of low and moderate income households.

- The Conference of Mayors supports the continuation of major federal rent subsidies through programs such as Section 8 Existing Certificates to make decent, safe, and sanitary housing affordable to lower income households. The nation should adopt a goal of providing, within a decade, such rent subsidies to all households eligible to receive them--at least 7 million such households. At a minimum, at least 100,000 units of assistance should be made available annually, more than three times existing levels. This target would require at least $6.7 billion annually.

VII. Education.

Urban school districts are receiving a disproportionate share of reductions over the last few years in federal education funding, with a decline of 21.2% in U.S. Department of Education funding for the nation's 30 largest school systems compared to 11.4% for the nation as a whole.

While many have voiced skepticism that "you can't improve education by throwing money at school systems," it should be acknowledged that we have seen significant educational gains in recent years, in large measure due to federal education programs. For example, the number of minorities attending college increased 93% during the past decade, while the proportion of blacks who became high school graduates increased 47% during that time. Chapter 1 (of the Education Consolidation and Improvement Act of 1981) and its predecessor Title 1 (of the Elementary and Secondary Education Act of 1965), where local school systems receive grants to serve educationally deprived children, have produced dramatic gains in reading skills and math.

The federal money "thrown at" local school systems has not solved all of the problems. First, federal funding of education is just 10 percent of the total and therefore is not of a magnitude, by itself, to produce a transformation in the quality of education. Second, federal education funding cannot by itself overcome the effects of broken families, joblessness, poverty and so forth. Nonetheless, federal education funds have made a real difference for millions of youth. The alternative, of removing or reducing the support we have given as a society will widen all of the disparities and injure all of our institutions.

Mayors recommend the following policies:

- *A moratorium on budget cuts in federal education programs*;
- *Increased funding for Chapter 1 and Chapter 2* (Education Block Grant) of the "Education Consolidation and Improvement Act of 1981," *to help assure equal educational opportunity*;
- Increased funding to provide a free appropriate public education to all handicapped children as required under the law;
- Continuation of support for the Vocational Education Act with increased funding so that young people may meet the needs of the changing high technology job market.
- Reauthorization of the Higher Education Act with *increased funding* to provide the opportunity for college education for those students who have been hampered due to changes and budget cuts in student *financial assistance programs*;
- Continuation of support for the *Bilingual Education Act* with increased funding so that limited or non-English speaking students are not excluded from the mainstream of American society. The "sink or swim" method of education, without bilingual assistance, results in too many educational drownings;

- Congressional passage of desegregation assistance legislation to provide equal educational opportunity for minority children and support for enforcement of desegregation laws. Desegregation efforts have been diluted since the consolidation of the Emergency School Aid Act into the Chapter 2 Block Grants;

- Congressional authorization of math and science education legislation to enable the school systems to improve the skills of the U.S. labor force and competitive ability of U.S. firms through adequate funding of local school districts;

- Opposition to education vouchers which would promote segregation by race and income, create constitutional conflict between church and state, reduce services for economically disadvantaged students and hurt the already struggling urban school system;

- Opposition to tuition tax credits which support elitist, segregated school systems while devastating public school systems;

An additional $3.3 billion a year in funding is needed just to stop the erosion of educational progress and keep pace with the effects of inflation since 1980.

VIII. Human Services

There are two major flaws in this nation's human services system: It is not funded at a level anywhere near sufficient to meet the need, and it is so complex and fragmented that it is not possible to make the best use of those resources which are available. A 55 city survey conducted by the Conference of Mayors in October, 1982, showed that in not one of the human service areas examined was over 50 percent of the eligible urban population served in FY 81 and FY 82. Social service programs reached only 7 percent of the eligible population in FY 82; child day care served 16 percent; senior programs served 15 percent.

Social services often reduce dependency on public assistance programs, prevent the continuation of family problems, defer or prevent costly institutionalization, and generally help individuals, families and communities cope with the varied effects of poverty. Thus home care, transportation, homemaker, meals-on-wheels and other services can keep people in their homes and communities, rather than in publicly-subsidized institutions at a far greater cost. Adolescent pregnancy prevention and family planning can lead to reduction in welfare and health service expenditures.

Similarly, day care for children can free a parent to obtain work or job training. Foster care enables placement of a child in a home setting. Adoption services provide the maximum feasible stability for a child, preventing a host of social problems later. Counseling and protection in child abuse cases can stop abusive treatment and help prevent in the child the development of a variety of social maladies resulting from mistreatment. Other social services include assistance to drug and alcohol abusers, boarding home services, emergency services, various health and housing related services, independent living for the handicapped, multiservice programs for the aged, social services in corrections institutions, community planning and many others.

Human service programs are supported by a wide variety of federal, state and local government and private funding sources. They are provided by a similarly wide range of agencies. Often there is little coordination between the planning for, and funding of, services that benefit the residents of a given community. Providing social service funds directly to local governments having the capacity to deliver social services could go a long way toward reducing these difficulties.

Child care is emerging as a human services issue of the very highest priority because of the changing composition of the U.S. labor market. Only 19 percent of women with children under age 18 were in the labor force in 1947; in contrast, 60 percent of women with children were employed in 1982--a threefold increase in 35 years.

Lack of affordable child care is a major factor in keeping women and children in poverty. The inability to locate affordable child care restricts not only women's employment and training opportunities but also their ability to participate in federally supported education programs. Approximately one of every five or six unemployed women is not working because she is unable to make satisfactory child care arrangements.

Mayors recommend the following human services policies:

- Funding for social services, provided principally through the Social Services Block Grant, should be increased so that the growing demand for services can be met. Funds for the block grants were cut 21 percent in FY 82. While there have been modest increases since then, they are not sufficient to meet the need and fall far short of what the current level would be had the cuts not been made. Mayors support a $3.3 billion funding level for the Social Services Block

Grant, a reasonable request since it only equals the 1975 social services funding. This level is exclusive of the proposed child care earmark (listed below).

- Funds provided to the states through the Social Services Block Grant should be passed through to local governments of appropriate size, with a demonstrated service delivery capacity, which wish to receive them. Federal social services dollars should be provided directly to local governmetns so that they can be better targeted to areas of special need and more simply administered.

- Because of the substantial 21% reduction in the Social Services Block Grant in 1981, thirty-two states are providing child care to fewer children today than they were in 1981. Substantial additional funding should be added to the Social Services Block Grant and earmarked for child care, to restore and increase child care services. A $500 million child care earmark would not meet all of the needs of working mothers in families having incomes below poverty level. Nonetheless, it would significantly enhance opportunities for economic independence for those now living in poverty, and indeed help reform our nation's policies toward employment for women.

- Project Head Start should be reauthorized for an extended period to provide comprehensive, community based early education and development assistance to economically disadvantaged children. Currently, Head Start programs only reach 18 percent of eligible children. To reach 30 percent by 1990, mayors advocate a $200 million per year increase in Head Start funding over a five-year period, thereby increasing Head Start funding from $1 billion to a proposed $2 billion.

- To maintain the Mayors' commitment to eliminating poverty in this nation, community action programs should be supported at an adequate funding level, with the funds provided directly by the federal government to local agencies. Substantial cuts have been made in these anti-poverty programs over the last several years and the system has been changed to one of block grants to the states. These decisions should be reversed.

IX. Food and Nutrition

The debate over whether there is hunger in America is bizarre to mayors. The nation's mayors see clear, unmistakable evidence of hunger in their cities every day. Tens of thousands of people do not line up for cheese in the cold of winter or the heat of summer unless they have no alternative, unless they need food and do not have the money to buy it. Growing numbers of people, including many families with children, do not come to soup kitchens unless they must, unless they have nothing to eat and nowhere to go.

In October, 1982, the Conference of Mayors conducted a survey which found that only 43 percent of the emergency service needs -- for food, shelter and emergency medical help -- were being met in cities. In June, 1983, the Conference developed case studies on hunger in eight cities across the nation. Despite differing local economic conditions and rates of unemployment, all of the cities examined had experienced recent dramatic increases in the demand for emergency food assistance, and only three of the eight cities were able to serve all of those in need of food assistance. A 1984 survey of cities nationwide revealed a 71 percent increase in the demand for food assistance in just one year. Even though local actions provide food banks, food hotlines, surplus food distribution systems and the like, the problem of hunger is continuing to grow in cities. The economic recovery is not "trickling down" to those in greatest need.

The hardships caused by deep cuts in federal food programs were exacerbated by simultaneous cuts in other federal assistance programs designed to help low-income persons: Aid to Families with Dependent Children (AFDC), low-income energy assistance and subsidized housing programs, to name a few. Many families facing unemployment, often for the first time, have found that they cannot provide for their families' needs once their unemployment benefits are depleted, and they are not eligible for government assistance. A tremendous number of new soup kitchens and food pantries have opened their doors in the past two years. The lines at these emergency centers have multiplied and, in most cases, the doors have had to close before all those seeking assistance could be served because food supplies have been depleted.

Of deepest concern are the numerous children from female headed and other households who are growing up in poverty, without the nourishment needed to prevent stunted physical and educational growth. Despite growing poverty, 3 million fewer children receive school lunches each day.

Mayors offer the following recommendations:

- The fundamental federal food assistance programs -- food stamps, child nutrition, and WIC (Special Supplemental Program for Women, Infants and Children) -- enable many Americans to acquire and maintain a minimally adequate diet and, until recently, together have made significant progress in reducing hunger and malnutrition in this nation. Their importance as the primary federal nutrition assistance programs should be recognized and they should be supported as entitlement programs to assure that all who are eligible for and in need of the assitance provided by these programs can receive it.
- Food stamp benefits should be increased and should keep pace with inflation. Moreover, eligibility has been tightened excessively in several areas, and many of the new restrictions should be reevaluated.
- Reduction in the child nutrition programs -- school lunch, school breakfast, child care food program, summer food program and special milk program -- should be fully restored and enhanced.
- Support for emergency food assistance, through funding, surplus commodities, and reimbursement for the distribution of those commodities, should be continued and enhanced as long as the current problems continue. Surplus commodities cannot provide a nutritionally balanced diet, but they help. Soup kitchens cannot provide three meals a day to a hungry family, but they help.
- While many private food manufacturing and packaging companies have donated food they are unable to sell, many more have not. Additional incentives should be given to encourage these companies to provide more assistance than they are now giving.

X. Public Assistance Reform

Federalization of public assistance is intended to replace the patchwork of local-state-federal public assistance programs which have a variety of payment levels and regulations. For example, the maximum Aid to Families with Dependent Children (AFDC) payment for a three-person family in Texas is $117 while it is $500 in Vermont. Eleven states require their cities and towns to share in AFDC costs, adding to the fiscal responsibilities of such overburdened central cities as New York City, Newark, Denver, Oakland, Baltimore, Cleveland and many others, as well as Washington, D.C., which has state funding responsibilities. It should be recognized that the causes of poverty are national in scope and the costs should not and cannot be borne disproportionately by those who share geographic boundaries with large concentrations of those living in poverty. The costs should be shared by the total public, and the federal government is the only instrument which can provide such equitable sharing.

As a consequence of the financial inability (or unwillingness) of overburdened state and local governments to pay for public assistance costs, AFDC benefits have lagged far behind inflation, declining 31% in real dollar value from 1970 to 1983.

By spreading the burden among all Americans, cities and states will have more resources to combat the variety of social problems resulting from the alarmingly high poverty rates: The poverty rate among all Americans is 15% -- after staying at around 12% during most of the 1970s. Moreover, 19.5 percent of all children live in poverty, 47.3% of black children live in poverty, 27.8 percent of all urban children live in poverty, while more than 70 percent of all black and Hispanic children in female-headed households live in poverty. It should be recognized that the vast majority of AFDC recipients are children, who are the primary victims of assistance cutbacks.

- Mayors recommend establishment of a single federally funded income maintenance program with a national minimum benefit level designed to provide a decent standard of living for families and individuals who cannot reasonably be expected to work. This includes such persons as many of the handicapped, single parents with young children, and those with major health or emotional problems. Benefit levels should be standardized nationally, with regional cost-of-living adjustments. The payments should be indexed to inflation to prevent a "real dollar" loss to citizens, as has occurred under the present system.

- The national employment and training policy, recommended under chapter IV, should include specific strategies to enable people to proceed from a life of dependence on government programs to self-dependence, by means of training, work experience and job placement programs for those AFDC recipients able to work. This proposal goes well beyond "workfare," in that meaningful training and career opportunities are offered in areas of endeavor chosen by citizens -- rather than compulsory employment in dead-end jobs.

XI. Quality Health Care for All Americans

In recent years, we have seen an erosion in the nation's commitment to public health. With the arrival of block grant legislation in 1982, funding for national health programs in twenty-one former categorical grant areas was slashed by 25 percent, and funding levels still have not been restored. Moreover, over the last few years, the federal government has reduced its share of funding of Medicaid and Medicare by $19.5 billion.

The nation had been progressing steadily toward some form of universal health coverage, as the federal government accepted ever growing responsibility of health care for the indigent. The dream that everyone could have access to affordable health care once seemed achievable. However, the current outlook is not as optimistic.

Today, more than 12 percent of Americans -- 21 million adults and 7 million children -- are considered medically disadvantaged. They lack health insurance, and they needed health care in the previous twelve months, but were unable to obtain it.

Medicaid is usually thought of as the health safety net for the low income. To the contrary, over half of the nation's population living in poverty are ineligible for Medicaid. Because Medicaid is tied to receipt of Aid to Families with Dependent Children (AFDC) or Supplemental Security Income, a variety of low income individuals, children in two-parent families below the poverty level, first-time pregnant low-income women, the working poor, plus millions of people with incomes just above the poverty level are often shut out from any form of public or private health insurance.

As an example of the uninsured, 80 percent of those without a job for a year are without health insurance. Equally significant, about half of all those uninsured (12.0 to 15.5 million Americans) are employed. Many of the 15 million part-time employees are uninsured as well. Most tragic of all in its discriminatory implications for America's health system, 59 percent of the poor and near-poor blacks and 62 percent of the poor and near-poor Hispanics were uninsured all or part of the year.

Exacerbating the problem of lack of health coverage have been the recent cutbacks in AFDC. Since 1981, AFDC has been cut by 10 percent, resulting in 700,000 people losing their AFDC payments -- and consequently their Medicaid eligibility.

Nor does Medicare mean that the health problems of the elderly are provided for. In fact, the elderly pay 29.9 percent of their total health costs directly out-of-pocket, not even counting the Medicare premiums which they pay. Again, it is the poor who are disadvantaged by the health systems. The elderly with annual incomes of $5,000 or less pay an average of 21.5 percent of their incomes on medical care, compared to 3.1 percent paid by the elderly with incomes over $20,000.

In an all-too-real sense, our nation's inequitable health policies are epitomized by the excessive and disproportionate rate of infant mortality among minorities and the low income in general. Nationally, black babies die at double the rate of white babies. In some cities, this black--to-white ratio can be double, triple and even as high as six times. In some sections of cities, the infant mortality rates are as high as in the poorest, most underdeveloped nations of the world.

In fact 44 states reported reductions in prenatal and delivery systems following implementation of the maternal and child health block grant (and concurrent funding reductions) in 1982. Moreover, 26 states do not provide Medicaid coverage to pregnant women and children in poor two-parent families; 10 states do not cover first-time pregnant women. Half of all women of child bearing age have no health insurance of any kind.

We still live in a time when the capability of remaining in good health is strongly correlated to one's financial means. Mayors urge that the nation restore reductions in health programs and move back on track toward universal health coverage of all in need. Specifically, mayors advocate policy revisions in the follwing areas:

- It has been the long standing policy of the U.S. Conference of Mayors to advocate federal responsibility for the full health care costs of the medically indigent. The history of the nation makes it clear that states and cities, acting independently, cannot create a health system which enables all Americans to receive adequate health care. In fact, the vast majority of states are cutting back substantially in their health programs.

- Some 12 million people are among the working poor. The nation could require expansion of private health insurance to the workplace for all, with federal subsidies when necessary. The $10 to $14 billion annual cost of this proposal would be borne in large part by employers and by federal subsidy, with employee contributions on a sliding scale (depending upon income).

- From five to seven million unemployed people have no health insurance, public or private. Programs should be designed to extend health insurance to the unemployed. Medicaid is one vehicle to extend coverage to the low income, long term unemployed. Another approach is to establish insurance pools, with pay-ins from employers, current employees and public funds.

- In families where there is no one in the labor force, direct public support is essential. Extending Medicaid to the 3.5 to 4 million people in this category who do not now have health insurance would cost about $3 billion annually.

- At a much lower cost than national health insurance, the nation could implement improved federal support for public hospitals and other hospitals which treat the uninsured. Such support can take the form of proportion of uninsured patients accepted, or per-patient payments to hospitals for documented charity care. Public hospitals are particularly capable of achieving federal health equity goals. In contrast, many private hospitals take only a small fraction of their proportional share of Medicaid patients, the uninsured and minorities. As a result of the policies, the uninsured have 48 percent fewer hospital days, on average, than the insured. At a cost of $6 billion to $7 billion, public hospitals can be reimbursed for services rendered free to the uninsured, and private hospitals can be given the needed economic incentive to accept patients of all income levels.

- "Dumping" is the refusal by private hospitals to provide health care to patients for whom reimbursement presently is not possible. Such patients are often sent to or "dumped" on public and community hospitals. Dumping is reportedly on the increase in many communities. Until such time as private hospitals are fully reimbursed for free care provided, federal guidelines and enforcement of levels of permissable patient transfers should be adopted, to avoid excessive financial burdens on public and community hospitals.

- The Hill-Burton program provides federal construction money and loans to health facilities. Regulations of this program require provision of set amounts of free care for the poor in exchange for Hill-Burton assistance received. The U.S. Department of Health and Human Services Office for Civil Rights now reviews Hill-Burton hospitals for compliance only once every three years, and even then enforcement is weak. Enforcement should be stepped up to assure that private hospitals meet their part of the agreement in receiving public construction funds.

- Mayors will not tolerate health system inequities which lead to disproportionately high levels of infant deaths in our urban centers, and urge national policymakers to end their complacency over this most crucial issue. Resources available through the Medicaid program and the Maternal and Child Health block grant must be maximized to ensure adequate prenatal and postnatal care. Maternal and child health care funds should also be substantially increased, with assurances that cities and counties receive full and direct funding. Mayors also urge restoration of child nutrition programs, which have been reduced 25% over the past three years, cutting 500,000 participants from WIC (Special Supplemental Food Program for Women, Infants and Children).

- In the chapter on policies for the elderly, mayors advocate a comprehensive examination and reform of the Medicare program. The reforms must go far beyond the current simplistic responses of raising copayments, co-insurance, deductible levels and premiums. Shifting of cost burdens to the elderly should be resisted. In particular, mayors advocate greater levels of assistance to the low income elderly; for example, through sliding scale premiums based on income and assets.

- Mayors urge significant federal funding for all public disease prevention and clinical programs especially those that impact on urban areas; for example, drug abuse, alcoholism, rodent control, lead-based paint poisoning prevention, AIDS screening, VD control and treatment and tuberculosis programs.

- Lack of adequate funding for health block grants is responsible for many of America's health problems -- excessive infant motality rates; discrimination in health care treatment against the low income and minorities; inadequate prevention and community health programs and so forth. Mayors advocate dramatically increased funding (a minimum of 50 percent) for health block grants, with requirements for direct funding, or pass-throughs, to local governments based on need.

XII. The Urban Elderly

National trends toward an older American populace will have a profound effect on America's cities. Each day over 5,000 Americans celebrate their 65th birthday, increasing the total number of older citizens in this country by 600,000 per year.

On a national level, one of every nine Americans is currently over 65. In many cities, however, this ratio is already as high or higher than one in five.

Mayors have repeatedly testified in Congress that services for the elderly in their cities have been significantly affected by the dramatic shifts in federal budget priorities that resulted in reduced spending for social programs. Programs most severely affected were those designed to assist the elderly in living independently and remaining active in the community. Most cities are simply not in a position to make up these losses of federal dollars from local revenues and the urban elderly suffer.

Mayors recommend the following policies:

- The Senior Community Service Employment Program and the Job Training Partnership Act should be amended to expand employment and training opportunities for older persons, improve coordination between these and other federal progrms, and increase local government involvement in such programs.

- The Social Security Act should be amended to reduce penalties for working beyond the "retirement age."

- The Administration on Aging should be strengthened to give it greater visibility, authority and resources by moving a number of federal programs under its auspices and by placing it dierctly under the Secretary of Health and Human services.

- A new Community Health and Support Services Act should be established to provide comprehensive, community-based health and support services, enabling the older person to receive a level of health and social care required for remaining independent in the community for the longest possible time. The existing health care system encourages spiraling costs by emphasizing institutionalized, acute and long term care over preventive or in-house care. Most low income elderly pay 20 percent and more of their income on health care. To make ends meet, they average 35% fewer physician visits and 27% fewer prescription drugs than do the more affluent. Without adequate community-based care, health is allowed to deteriorate and long term care is required. When this occurs, seniors are likely to spend themselves quickly into Medicaid eligibility, costing governments at all levels considerably more than the cost of programs which foster independent living. To reduce these problems and costs, federally financed in-home health and support services should be expanded, with increased local flexibility and involvement.

- Federal tax incentives should be extended to qualified family and friends who provide essential support services to older persons.

- Attempts to cut Medicare costs by increasing the age of eligibility above 65 should be strongly resisted. Such proposals are highly discriminatory against blacks and other minorities. Because of poorer health care, difficult living conditions, nutrition problems and the like, the life expentancy of minorities is much lower than that of whites; for example, black males have a life expectancy of just 65 years. Raising the age of Medicare eligibility would reduce life expectancy even further.

- Federal leadership is needed to increase, by 200,000 units a year, the overall supply of housing for senior citizens from all public and private sources. This proposed increase includes 20,000 additional units annually for the elderly and handicapped under Section 202 loan authority (an increase from 4,000 in 1984).

- A national training program should be developed for managers of public housing on the special needs of older tenants.

- The federal government should establish a national demonstration program on alternative living arrangements for older persons, promoting closer coordination of community support services and preventive forms of health services.

XIII. Urban Policy on Crime

High levels of crime, especially in large urban areas, are exacting a serious toll in the local communities of our nation. While we have seen a relatively minor, recent reduction in the crime rate, it should be recognized that the crime rate is still double today what it was as recently as 1965. The incidence of crime is recognized as a national problem, whereas the response to crime occurs at the local level. If crime is to be controlled, a concerted effort at all government levels is needed. The U.S. Conference of Mayors calls for a national commitment to control the level of crime in this country.

For at least 19 years the Conference of Mayors has supported federal assistance for local efforts to control crime. Recently, East Orange, New Jersey Mayor Thomas Cooke testified: "Our main concern is that funds get to jurisdictions that need them most and that those funds be flexible enough that they can be used to address locally identified priorities."

The U.S. Conference of Mayors recommends that the federal government return to its previous level of commitment in combatting crime. To do so, $895 million in federal justice assistance should be appropriated by Congress to carry out effectively the federal role in controlling crime. This is an increase of nearly $700 million over FY 1984 levels but is equal to the level of federal support that was available in FY 1975. A relatively small proportion of the funds should be used to support federal and state research and administrative functions, so that the vast majority of funds reaches local crime fighting forces. The discretionary grant program should be prioritized on the basis of a jurisdiction's crime rate, a measure wich standardizes the number of offenses on the basis of population.

The discretionary grant program can be used to support such programs and initiatives as:

- Halting or dramatically reducing the illegal sale and distribution of controlled substances. One recent study indicated that 354 Baltimore heroin addicts committed 775,000 crimes in a nine-year period.
- Addressing the problem of severely crowded local jails and state prisons and developing workable means to alleviate the crowding, including alternatives to incarceration for non-violent offenders.
- Assuring the transfer of successful technologies developed around the country to local jurisdictions;
- Developing effective strategies for solving the complex problem of family violence.
- Providing funding to state and local jurisdictions responding to emergency situations. The Atlanta child murders were a tragic case of the need for greater emergency assistance.

In 1972, in response to the growing violence in American cities, the U.S. Conference of Mayors passed a resolution calling for national legislation that would ban the manufacture, sale, importation, and private possession of handguns, except for use by law enforcement personnel, the military, and sport clubs. The policy also calls upon the Congress to adopt a national handgun registration law, and includes mandatory minimum sentences for firearms-related crimes. Finally, the policy calls upon the states to adopt legislation that would require the registration and licensing of all firearms. While many jurisdicitons have enacted their own gun control laws, they have had limited success because, without federal legislation, they can offer no real control of the transportation of weapons across jurisdictional lines. Over twelve years later, mayors continue to support these gun control positions strongly.

XIV. TRANSPORTATION

Mayors recommend long term, consistent federal government support for transportation, with adequate resources, in recognition of the pivotal, catalytic role the federal government plays in the federal-state-local-private transportation network. The uneven, roller coaster, faltering commitment of the federal government in recent years necessarily weakens the ability of other levels of government and the private sector to maintain their share of the responsibilities to transportation needs.

The entire nation uses the transportation systems of cities to reach the urban marketplace, jobs, education and cultural centers -- not just city residents. Therefore the responsiblity for urban transportation rests in the hands of the total public. Without adequate support, the essence of cities as efficient aggregations of people, commerce, structures and ideas, is threatened.

Specifically, mayors call for the following actions:

- The federal government must continue to provide transit capital and construction assistance and do so in a multimode fashion: assistance for bus purchases, modernization of rail systems and new rail systems. New rail projects in such cities as Detroit, Los Angeles, Houston, Pittsburgh, Miami, Atlanta and the District of Columbia must go forward. The full level authorized in the Surface Transportation Assistance Act is a minimum funding level for capital assistance.

- Transit operating assistance, which pays for only a share of total local transit operating costs, must be continued as a useful federal tool to help communities meet their overall transportation needs. Without such support, jurisdictions would have no choice but to increase bus and rail fares beyond the level of affordability for many and reduce service, creating an over-dependency on the private auto with all its side-effects of air pollution, traffic congestion and inefficient land use. Operating assistance at $875 million in FY 1984 is just 64 percent of the FY 1980 level of $1.1 billion in inflation-adjusted dollars, and further reductions are consistently proposed. At a minimum the FY 1984 level should be maintained and increased by annual price index adjustments.

- Transit service for the elderly and handicapped must be provided and enhanced by all levels of government. Local governments should have the option of tailoring those transportation systems to meet their own community needs. For example, some cities may find that a separate transit system for the elderly and handicapped may better meet their needs than federally mandated mechanical lift devices for all buses.

- The Surface Transportation Assistance Act of 1982 for the first time earmarked federal gasoline tax monies for public transit, at one cent per gallon or $1.1 billion per year. This financing tool should be continued.

- AMTRAK plays a crucial economic development role for cities, and is an efficient, safe, generally low-cost mode of transportation for passengers. AMTRAK appropriations should be retained at a minimum level of at least $750 million per year, with price index adjustments annually. Railroad stations should be revitalized, and in many cases should contribute to the urban transportation network as intermodel facilities.

XV. Targeting Federal Procurement

The federal government is one of the nation's greatest economic forces, with its budget amounting to nearly 25% of the Gross National Product. Obviously the federal government is more than a passive monitor of economic growth and equity; its own actions determine who fares well and who does not.

Targeted federal procurement is one route to achieve balanced growth, so that areas of currently heavy unemployment can better participate in economic recovery and growth. All signs indicate that areas which experienced heavy structural unemployment during recessionary times will continue to do so in times of economic recovery, unless specific actions are taken.

The mayors of the U.S. advocate the following federal procurement policies:

- Mayors call for an increase in Defense Logistics Agency (DLA) procurement set-asides for labor surplus (high unemployment) areas, from the present $4 billion goal to $7 billion per year. The DLA purchases non-strategic services and supplies for the Defense Department; these supplies do not have the high-precision specifications of the strategic weapon systems.

- Mayors advocate the development and implementation, within one year, of goals for targeted Defense procurement in Defense agencies outside of DLA, when such targeting of goods and services to labor surplus areas does not jeopardize national security.

- For federal agencies outside of the Department of Defense, mayors advocate increasing the current 5% procurement targeting goal for high unemployment areas to 10%.

- Goals should be developed and implemented, within a year, which would target a fair share (e.g., 10%) of

Defense and other federal government procurement to minority businesses. While some federal legislation includes such targeting, this policy should be implemented across the board for all federal procurement.

- Procurement outreach offices should be formed in labor surplus areas, with federal funding assistance, to actively obtain contracts for businesses located in those areas.

Targeting federal procurement adds enormous benefits at little cost: The Defense Logistics Agency has awarded 13,469 contracts (as of 1982) to labor surplus areas and had to pay a price differential (averaging just 1.7%) on only 436 of these contracts.

Cost of Proposals

The proposals contained in this report, for a national urban development bank, targeted fiscal assistance, job programs, equal opportunity enforcement, housing programs, education funding, federalization of welfare, support for social services, increased food and nutritional programs, senior citizens services, anti-crime efforts, health reform, transportation, and targeted federal procurement, have cost estimates attached to them whenever possible.

The $49 billion approximate pricetag* of this package would require considerable re-adjustment of national priorities, even in this era of trillion dollar budgets, trillion dollar federal debt and 12% or so annual increases in defense spending. Mayors recognize that all of these proposals cannot be accomodated immediately in any one budget year; an urban build-up (like a military build-up) takes, first, a national commitment, and then a reallocation of resources over time.

Nonetheless, this $49 billion cost should be placed in the perspecitve of the nine percentage point share of the federal budget which domestic spending has lost over the last five years. Had domestic spending held its same relative share, over $90 billion more would today be targeted to domestic needs.

If $50 billion were to be shifted, over time, from military to domestic spending, the domestic share of the budget would be about 63% -- still 6 percentage points less than the 69% share of the budget which domestic spending held in 1980.

*This cost estimate includes $6 billion for reimbursements to public and private hospitals for free health care provided; however, the costs of more comprehensive health insurance plans are not included.

Mayor Barry. This report has been going through several stages to assure that the policies offered are consistent with policies committees of the U.S. Conference of Mayors.

We had a great session this weekend in Philadelphia at the Conference of Mayors and we went over this report, the summary of it, anyway, and there is general agreement that that report probably is the most comprehensive compilation of thought, as relates to mayors, ever put together. And I'm proud to have been able to chair the committee and to have such outstanding mayors on it who care so much about our cities.

Mr. Chairman, I will not take much time to discuss the President's urban policy report. It's been read.

The difficulty is that this report only tells a part of the story about what's happening in cities today. As one reads this report, the report scarcely mentions the enormous budgetary shifts during the past 3 years in favor of defense spending and in favor of interest on the national debt and away from cities.

Mr. Chairman, for instance, employment and training funds have been cut by more than 50 percent since 1980; 50 percent of real dollars. You add the inflationary effect of it and you really are up in the 60-percent range of actual real dollar impacts since 1980.

Mr. Chairman, housing assistance has been cut by 60 percent. Crime fighting assistance to State and local government is just one-fifth the level it was 10 years ago.

The real value of revenue sharing is less than half of what the revenue sharing level was when it was first enacted. The dollars are there but the real value is less than half.

Student loans, our young people are denied the right to training education. Young people who, if it weren't for money, would be in colleges and universities.

Our view, the mayor's view, Mr. Chairman, is that no one should be denied the right to an adequate education, merely because he or she does not have the income, beyond the brain power and interest and will. But in this area, student loans have declined 27 percent in recent years.

Mass transit operating assistance. The District as you know is in the process of finishing its Metro. Baltimore is in the process of developing the metro, Atlanta, Los Angeles, and these have declined 21 percent.

Social services funding has declined 14 percent. We could go on and on, Mr. Chairman.

There are more people in poverty in 1984 than there were in 1980, more people in poverty; 34 million people in poverty by the Labor Department's definition of poverty.

When we read that definition, that's an inadequate definition in itself, because there's no way a family of four could live in this tough world at the level of funding that the Labor Department and others say is an adequate income.

Mr. Chairman, an honest urban policy report should assess what the impact is of these policy shifts. The President's report does not mention this.

It speaks to the benefits of the urban directed programs which remain in effect while barely mentioning the devastating effects of the cutbacks.

Other than urban enterprise zone, which apparently may not pass Congress this year, even if they did, without major infusion of substantial capital, very little that is new or tangible is offered us.

Mr. Chairman, we find ourselves not only trying to change the status quo, trying to be innovative, trying to be creative, trying to be dynamic because our cities are that way, we find ourselves merely trying to get us back to where we used to be, which is not enough.

The President's report indicates that a general economic recovery, along with Federal deregulations and creating greater reliance on private public partnerships, charity for nonprofit organizations, and aid from churches and from volunteers have all been combined.

And I quote from the President's report: "To build a foundation for a new era of prosperity and stability in our Nation's cities."

Mr. Chairman, the mayors know that this is not so. The mayors know this foundation is basically built on sand as opposed to a stable foundation.

Mr. Chairman, we know that the administration emphasized giving local governments maximum flexibility to respond to their own diverse needs and opportunities. This is a good theory. We support that. But without the adequate resources, this is a very polite way of saying that cities are left holding the bag of social and economic problems in America.

These nonprofit organizations, our churches, have certainly done their share and should be expected to do their share. There is no way these organizations can make up for the vast loss of revenue sources that we've had in the past. Even those revenues were inadequate to meet our needs.

Mr. Chairman, today 1 of every 5 city residents lives in poverty. The highest level in several decades. The medium family income for the suburbs of our largest city is 41 percent higher than the medium family income inside our cities.

By every statistic, Mr. Chairman, our cities are suffering double-digit unemployment: Gary, 24 percent; Youngstown, 19 percent; Birmingham, Buffalo, Frezno, Cleveland, 15 percent; Newark, Chicago, Cincinnati, Pittsburgh, St. Louis, Dayton, and our own city, double-digit unemployment. That is the official unemployment level.

Minority unemployment has always been twice that of white employment. And among our young black teenagers, young people between 18 and 24, we are approaching anywhere from 45 to 65 percent of unemployment.

Mr. Chairman, let me just say that it seems to me that our National Government and our State and local government ought to have the philosophy that it's better to spend money on the front end than to have to spend it on the back end.

It cost us some $15,000 to $16,000 per year to incarcerate one individual. It costs us some $50,000 per sale to build one jail cell. It seems to me, Mr. Chairman, that kind of money ought to be spent on the front end improving our education system, providing adequate housing, cleaning up the environment, giving job training and job subsidy to those persons.

I'm convinced, Mr. Chairman, if people are given an opportunity to work they will work. And I'll give you an example. It's not in my prepared statement, but I'll give it.

We've just opened up in Washington a new Marriott at 14th and Pennsylvania Avenue, NW. The Marriott Corp. people wanted 467 people to fill 467 jobs. They signed the first source agreement with our city which allowed our employment services to refer people to those jobs; 425 of those they wanted.

Mr. Chairman, over 11,000 people applied for those 425 jobs, again demonstrating that people wanted to work, but more important demonstrated how tough the job market is, 11,000 people applied for 425 jobs. And these were not all professional jobs. These were cleaning ladies. These were porters. Desk clerks, as well as some administrative jobs.

But, again, 11,0000 people showed up. Without advertising they showed up. If we had advertised in any way that there were 425 jobs I suspect we would have had 25,000 to show up. That, again, demonstrates that our cities are in difficulty. That the Federal Government is not responding to our needs.

Also, Mr. Chairman, we believe very much in self-help in our cities. We mayors would like to do all we can. Well, we can't build brick without straw. We're not that miraculous and so we look at what's happening in our city. Our future does not look bright.

If we look at our children that's how we can judge our future. Close to 50 percent of urban and black and Hispanic children are growing up in poverty, while the poverty rate is over 70 percent for black and Hispanic children and female heads of households.

Mr. Chairman, we are faced with a situation where 53 percent of all families in Washington are single parent heads of household, and 90 of that 53 percent is female. That's why day care is important. That's why a conducive environment is important. That's why the elimination of drugs in our cities is important. That's why educational assistance is important.

Mr. Chairman, I could go on and on and list thousands of examples from my report, which speaks to deteriorating urban conditions. Based on this information we must conclude that this Nation still suffers on social and economic conditions.

It is safe to say that the present administration has no national urban policy, or if it has one nobody knows what it is or if they do, it does not work.

Mr. Chairman, I would like to urge the subcommittee to examine our report and there are a number of positive constructive suggestions in it. I'm not one who just criticizes that which is not. Mayors have to find constructive alternatives because we're there on the front lines every day.

Mayors don't like to pass bucks or to say others are responsible and not just analyze what we can do ourselves. We believe very strongly the Federal Government has to help. Twenty years ago, 35 cents of every tax dollar raised went to the Federal Government; 65 cents stayed at the local, State, and county level.

In 1984 it's just the reverse: 65 cents of every tax dollar raised in this country goes to the Federal Government; only 35 cents stays at the local, State, and county level, which means that the Federal Government is where the money is.

. That's why those of us who manage our cities and our States and our counties are saying that's where the money is, at the Federal level, because 65 cents of every dollar goes there. Our people at the local level are taxed excessively.

And so we would urge that American national urban policy would encompass the idea of an urban development bank. The target loan and loan guarantees to areas which need assistance.

Mr. Chairman, we look at the dichotomy here and look at the unfairness of the rules. The Federal Government provides more than $100 billion of assistance to American businesses, $100 billion of assistance to American businesses through loan programs, credit corporations, or depreciation allowances, and other tax breaks.

And also the Federal Government offers assistance to the federally subsidized export import banks. However, Mr. Chairman, look at what happens to that money. Less than 2 percent of that money goes to economically distressed cities.

Then the administration talks about the UDAG program. Mr. Chairman, as you know, in 1980 we had to fight, fight, push, pull, cajole, and everything else we could do to save the UDAG program. You were part of that struggle and now this administration is claiming credit for how good the UDAG program is.

We also recommend in our report, Mr. Chairman, a variety of reforms in employment and training, affirmative action, housing, education, social services, food nutrition, health care, public assistance, service for the elderly, criminal justice, transportation, and the Federal procurement policy area.

Mr. Chairman, one thing which hurts me very badly, about twice a month our seniors have to line up in these long lines for 5 pounds of cheese. As powerful and as great as this country is, those have been the pillars of our community. Those have worked from sun up to sun down. And those have helped me and you to get to where we are have to stand in line for 5 pounds of cheese. That is dehumanizing. It takes your self-respect from you.

And so, us mayors are concerned about a range of policies and practices that have left our cities out. So I urge this committee to examine what it can do to lift our cities and our urban population from a posture of excessive dependence on the State and Federal Governments to full economic independence.

Mr. Chairman, if you read our report and I'm sure your staff will read it, summarize it, if all of our programs were adopted, the domestic share of the budget would still be 6 percentage points less than it was in 1980. We urge that direction.

Also, Mr. Chairman, as we speak about the priorities, the CETA program didn't just disappear, it got shifted to the Pentagon. Community Development Block Grant didn't just disappear, it got shifted to the Pentagon. Tempted with dollars.

I find it very difficult that this Nation would propose to spend some $55 billion on something called a B–1 bomber. It might have gone up because it goes up every day and by all estimates and by all analysis, the B–1 bomber would become operational in 1986 and obsolete in 1990. It seems to me that $55 billion could be used in our cities.

The same is true of the MX-1 missile; $3.8 billion just to test it out. To see if it would work. By the time they get to producing it, it will probably be outmoded. Not to mention that fact we don't need all those weapons anyway. We have enough weapons in our defense arsenal to kill us all over five thousand times. We ought to be talking about reducing the numbers of weapons and nuclear proliferation and help our cities.

So on behalf of the citizens of the District of Columbia, on behalf of the 255 black mayors and on behalf of the other mayors who make up the Conference of Mayors, I want to thank you very much for having this hearing, for taking time out of your schedule, where maybe you need to be on the floor to listen to some of those debates over there. The immigration bill.

But you're here because our cities are important and certainly my colleagues appreciate your support, appreciate your diligence and appreciate your tenacity. Thank you very much.

[The prepared statement of Mayor Barry follows:]

Prepared Statement of Hon. Marion Barry, Jr.

GOOD MORNING, MR. CHAIRMAN AND COMMITTEE MEMBERS. I AM APPEARING HERE TODAY AS MAYOR OF WASHINGTON, D.C., AS PRESIDENT OF THE NATIONAL CONFERENCE OF BLACK MAYORS, AND AS CHAIRMAN OF THE SPECIAL COMMITTEE ON A NATIONAL URBAN POLICY FOR THE U.S. CONFERENCE OF MAYORS. WITH ME THIS MORNING ARE PAULINE SCHNEIDER, DIRECTOR OF MY OFFICE OF INTERGOVERNMENTAL RELATIONS, AND ED MEYERS, PROJECT DIRECTOR OF THE MAYORS' NATIONAL URBAN POLICY REPORT. I WOULD LIKE FIRST OF ALL TO CONGRATULATE THIS SUBCOMMITTEE FOR HOLDING HEARINGS TO EXAMINE THE PRESIDENT'S NATIONAL URBAN POLICY REPORT. I BELIEVE IT IS ESSENTIAL THAT THE AMERICAN PEOPLE GAIN A FULL UNDERSTANDING OF TODAY'S URBAN CONDITIONS AND DEVELOP A PLAN FOR THE FUTURE, RATHER THAN JUST RELYING ON THE PRESIDENT'S REPORT.

FOR THE PAST EIGHTEEN MONTHS, THE U.S. CONFERENCE OF MAYORS HAS BEEN DEVELOPING ITS OWN URBAN POLICY REPORT, FOR ADOPTION BY ALL OF AMERICA'S MAYORS, IN ANTICIPATION OF THE PRESIDENT'S REPORT. WE BELIEVE THAT THE PRESIDENT'S REPORT DOES NOT ADDRESS MANY OF THE CONCERNS MAYORS ALL OVER THE COUNTRY HAVE. OTHER MAYORS ON THE COMMITTEE ARE RICHARD CALIGUIRI OF PITTSBURGH; THOMAS COOKE OF EAST ORANGE, NEW JERSEY; DIANNE FEINSTEIN OF SAN FRANCISCO; VINCENT THOMAS OF NORFOLK; KATHY WHITMIRE OF HOUSTON, AND TED WILSON OF SALT LAKE CITY. AS YOU CAN SEE, MAYORS OF LARGE, MEDIUM AND SMALL CITIES, FROM THE EAST, CENTRAL AND WESTERN REGIONS HAVE GUIDED THE DEVELOPMENT OF THIS REPORT.

I AM HAPPY TO SUBMIT THIS REPORT TO YOU, FOR THE RECORD. THE REPORT HAS GONE THROUGH SEVERAL STAGES TO ASSURE THAT THE POLICIES OFFERED ARE CONSISTENT WITH POLICIES ADOPTED IN THE PAST BY THE STANDING COMMITTEES OF THE U.S. CONFERENCE OF MAYORS. I, THEREFORE, AM ABLE TO SUBMIT THIS REPORT TO YOU AS THE CHAIRMAN'S REPORT, AND I HOPE YOU WILL BE ABLE TO PRINT THE FULL REPORT SO THAT THOSE READING THE RECORD MAY GAIN THE BENEFIT OF IT. I EXPECT FINAL APPROVAL OF THE REPORT BY THE FULL CONFERENCE IN THE NEAR FUTURE.

I WILL NOT TAKE MUCH TIME TO DISCUSS THE PRESIDENT'S URBAN POLICY REPORT, SINCE IT ONLY TELLS A PART OF THE STORY OF WHAT IS HAPPENING IN CITIES TODAY. THE REPORT SCARCELY MENTIONS THE ENORMOUS BUDGETARY SHIFTS DURING THE PAST THREE YEARS IN FAVOR OF DEFENSE SPENDING AND IN FAVOR OF INTEREST ON THE NATIONAL DEBT, AND AWAY FROM CITIES. FOR EXAMPLE, EMPLOYMENT AND TRAINING FUNDS HAVE BEEN CUT BY MORE THAN 50 PERCENT SINCE 1980. HOUSING ASSISTANCE HAS BEEN CUT BY 60 PERCENT. CRIME FIGHTING ASSISTANCE TO STATE AND LOCAL GOVERNMENTS IS JUST ONE-FIFTH THE LEVEL OF TEN YEARS AGO. THE REAL DOLLAR VALUE OF REVENUE SHARING IS LESS THAN HALF OF WHAT THE REVENUE SHARING LEVEL WAS WHEN IT WAS FIRST ENACTED. STUDENT LOANS HAVE DECLINED 27 PERCENT IN RECENT YEARS, MASS TRANSIT OPERATING ASSISTANCE HAS DECLINED 21 PERCENT, SOCIAL SERVICES FUNDING HAS DECLINED 14 PERCENT, CHILD NUTRITION HAS DECLINED 28 PERCENT, AND I COULD GO ON AND ON.

MR. CHAIRMAN, AN HONEST URBAN POLICY REPORT SHOULD ASSESS WHAT THE IMPACT IS OF THESE POLICY SHIFTS. THE PRESIDENT'S REPORT DOES NOT MENTION THIS. INSTEAD, THE REPORT SPEAKS TO THE BENEFITS OF THE URBAN DIRECTED PROGRAMS WHICH REMAIN IN

EFFECT, WHILE BARELY MENTIONING THE DEVASTING EFFECTS OF THE CUTBACKS. OTHER THAN URBAN ENTERPRISE ZONES, WHICH ARE NOT LIKELY TO PASS THE CONGRESS AND WOULD NOT HAVE MAJOR EFFECT WITHOUT INFUSIONS OF SUBSTANTIAL CAPITAL, VERY LITTLE THAT IS NEW OR TANGIBLE IS OFFERED TO US.

THE PRESIDENT'S REPORT INDICATES THAT A GENERAL ECONOMIC RECOVERY ALONG WITH FEDERAL DEREGULATION AND GREATER RELIANCE ON PRIVATE/PUBLIC PARTNERSHIPS, CHARITY FROM NON-PROFIT ORGANIZATIONS, AND AID FROM CHURCHES AND FROM VOLUNTEERS HAVE ALL COMBINED, AND I QUOTE FROM THE PRESIDENT'S REPORT, "TO BUILD THE FOUNDATION FOR A NEW ERA OF PROSPERITY AND STABILITY IN OUR NATION'S CITIES." THE NATION'S MAYORS KNOW THAT THIS IS NOT SO: THIS FOUNDATION, THE REPORT SAYS, WAS BUILT THROUGH THE FOLLOWING PHILOSOPHY, AND AGAIN, I QUOTE FROM THE REPORT: "THE ADMINISTRATION HAS EMPHASIZED GIVING LOCAL GOVERNMENTS MAXIMUM FLEXIBILITY TO RESPOND TO THEIR OWN DIVERSE NEEDS AND OPPORTUNITIES." THIS IS A NOT-VERY-POLITE WAY OF SAYING THAT CITIES ARE LEFT HOLDING THE BAG OF SOCIAL AND ECONOMIC PROBLEMS IN AMERICA. MEANWHILE, THE REST OF SOCIETY CAN LUXURIATE IN HUGE TAX REDUCTIONS AND INDULGE THEMSELVES IN PURCHASING EXOTIC AND INEFFICIENT WEAPONS SYSTEMS.

MR. CHAIRMAN, TODAY ONE OF EVERY FIVE CITY RESIDENTS LIVES IN POVERTY--THE HIGHEST LEVEL IN SEVERAL DECADES. THE MEDIAN FAMILY INCOME OF THE SUBURBS OF OUR LARGEST CITIES IS 41 PERCENT HIGHER THAN THE MEDIAN FAMILY INCOME INSIDE THESE CITIES. WHILE THE NATION IS EXPERIENCING ECONOMIC RECOVERY IN THE MORE AFFLUENT AREAS, WE SHOULD RECOGNIZE THAT THE LATEST DATA SHOW DOUBLE DIGIT UNEMPLOYMENT IN NUMEROUS CITIES -- FOR EXAMPLE, GARY, 24%, YOUNGSTOWN, 19%, BIRMINGHAM, BUFFALO, FRESNO AND CLEVELAND, 15%, WITH NEWARK, CHICAGO, CINCINNATI, PITTSBURGH, SAINT LOUIS, DAYTON, MY OWN CITY, WASHINGTON, D.C., AND MANY OTHERS IN DOUBLE DIGITS AS WELL. MINORITY UNEMPLOYMENT IS STILL AT DEPRESSION LEVELS -- OVER 15% -- WHILE BLACK YOUTH UNEMPLOYMENT APPROACHES 45% WITH NO SIGNS OF DECLINING. THESE UNEMPLOYMENT FIGURES ARE DOUBLE THE HISTORICAL LEVELS. OUR FEDERAL JOBS PROGRAMS, ACCORDING TO A PRESIDENTIAL COMMISSION, REACH ONLY 3.7% OF THE ECONOMICALLY DISADVANTAGED.

MOST PEOPLE DO NOT LIKE TO TALK ABOUT IT, BUT THE INCOME GAP BETWEEN THE RACES IS GROWING, NOT SHRINKING. TODAY, THE AVERAGE BLACK WORKER HAS 55 DOLLARS OF INCOME FOR EVERY 100 DOLLARS FOR THE AVERAGE WHITE WORKER, WHILE, IN 1970, BLACKS HAD 63 DOLLARS FOR EVERY 100 DOLLARS OF WHITE INCOME.

THE BEST WAY TO SEE WHAT OUR FUTURE WILL BE LIKE IS TO LOOK AT OUR CHILDREN. SADLY, CLOSE TO 50% OF URBAN BLACK AND HISPANIC CHILDREN ARE GROWING UP IN POVERTY, WHILE THE POVERTY RATE IS OVER 70% FOR BLACK AND HISPANIC CHILDREN IN FEMALE-HEADED HOUSEHOLDS. EDUCATION FUNDS FOR THE ECONOMICALLY DISADVANTAGED REACH ONLY 45% OF THOSE WHO ARE ELIGIBLE FOR ASSISTANCE.

AGAIN, MR. CHAIRMAN, I COULD LIST LITERALLY THOUSANDS OF EXAMPLES FROM OUR REPORT WHICH SPEAK TO DETERIORATING URBAN CONDITIONS. BASED ON THIS INFORMATION WE MUST CONCLUDE THAT IF THIS NATION STILL SUFFERS UNDER SUCH SOCIAL AND ECONOMIC CONDITIONS, IT IS SAFE TO SAY THAT AMERICA REALLY HAS NO "NATIONAL URBAN POLICY."

MR. CHAIRMAN, I GENERALLY DO NOT LIKE TO CRITICIZE WITHOUT OFFERING PROPOSALS FOR IMPROVEMENT. THEREFORE, I RECOMMEND THAT THE COMMITTEE CONSIDER OUR FULL REPORT.

A CORNERSTONE OF OUR POLICY IS AN URBAN DEVELOPMENT BANK, TO TARGET LOANS AND LOAN GUARANTEES TO AREAS WHICH NEED ASSISTANCE THE MOST. TODAY, THE FEDERAL GOVERNMENT PROVIDES MORE THAN 100 BILLION DOLLARS OF ASSISTANCE TO AMERICAN BUSINESSES THROUGH LOAN PROGRAMS, CREDIT CORPORATIONS, OIL DEPLETION ALLOWANCES AND OTHER TAX BREAKS, AND THROUGH FEDERALLY SUBSIDIZED BANKS SUCH AS THE EXPORT-IMPORT BANK. HOWEVER, LESS THAN 2 PERCENT OF THAT ASSISTANCE GOES TO ECONOMICALLY DISTRESSED CITIES. THE SUCCESSFUL UDAG CONCEPT SHOULD BE EXPANDED CONSIDERABLY IN THE FORM OF AN URBAN BANK. WE ALSO RECOMMEND A VARIETY OF REFORMS IN EMPLOYMENT AND TRAINING, AFFIRMATIVE ACTION, HOUSING, EDUCATION, SOCIAL SERVICES, FOOD AND NUTRITION, HEALTH CARE, PUBLIC ASSISTANCE, SERVICES TO THE ELDERLY, CRIMINAL JUSTICE, TRANSPORTATION, AND FEDERAL PROCUREMENT POLICY AREAS.

OUR PRIMARY OBJECTIVE IN EACH OF THESE POLICY AREAS IS TO LIFT OUR CITIES AND OUR URBAN POPULATIONS FROM A POSTURE OF EXCESSIVE DEPENDENCE ON STATE AND FEDERAL GOVERNMENTS SO THAT WE MAY ACHIEVE FULL ECONOMIC INDEPENDENCE. THE COST OF THESE POLICIES IS NEITHER ENORMOUS NOR UNREALISTIC. EVEN IF ALL OF THE PROPOSALS WE ARE SUGGESTING WERE ADOPTED IN ONE YEAR -- AN IMPOSSIBILITY, WE ALL RECOGNIZE -- THE DOMESTIC SHARE OF THE BUDGET WOULD STILL BE SIX PERCENTAGE POINTS LESS THAN IT WAS AS RECENTLY AS 1980.

I WOULD BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE ABOUT THE CONFERENCE OF MAYORS' URBAN POLICY REPORT. MORE IMPORTANTLY, WE ARE PREPARED TO WORK CLOSELY WITH YOU AND YOUR STAFF IN THE WEEKS AND MONTHS AHEAD TO SHAPE A VASTLY IMPROVED SET OF POLICIES FOR AMERICA'S CITIES.

THANK YOU.

Representative **Mitchell**. Thank you, Mr. Mayor.

I guess sometimes I sort of daydream and I wonder if the President could ever hear you whether he would change, or hear the other mayors. The majority leader in the House, Jim Wright, during a debate characterized the President as a man with a warm smile and a cold heart. I don't know that he has. I'm not sure that he has a cold heart. I think that maybe he just doesn't hear you.

He never communicates on this level with you and that's why he's pursuing some policies that I think are inimical to the best interests of cities.

Mayor **Barry**. Mr. Chairman, I don't know what motivates the President but I recall not too long ago when I had the opportunity to be over at the White House and there was a luncheon for several people and I happen to be sitting at the table with the President. That was at the time when he was talking about jobs and I was explaining to him similar things that we're talking about here, about what happens to our young people in our urban cities where we have 40 to 60 percent unemployment. What happens to people who are out of work and so lack self respect and their dignity is taken from them.

And I think that he really believed this. He said, well, I read the Washington Post the other day and there were 30 or 35 pages of jobs. Why aren't these people going to get these jobs.

We analyzed those jobs in the newspaper and the great majority of them were technical jobs for highly skilled persons. And so I said to the President, I said the number of people I'm talking about, because of our educational problems and our systems not fully funded, our teachers not adequately paid and the environment not conducive to learning, a number of the people I'm speaking of can barely read those want ads at this particular point. And those who can are not yet quite skilled enough to get those jobs.

I really believe, Mr. Chairman, that that was his concept. He felt that there were plenty of jobs out here, that people just did not want them. And I think at some point maybe he ought to hear from some of the people who want to work, who are desirous of working, who can't find work.

Representative **Mitchell**. But he won't.

Mayor **Barry**. And the people around him all have jobs.

Representative **Mitchell**. Mr. Mayor, I read a summary of the report. I am going to read the entire report and I'd like to get back to you with additional questions following my reading of the report. And my heart bleeds for you. You see, I come in from Baltimore every day via the East Capitol and I see that church right at the park. Once a week the people are standing in line waiting for food.

I went up to the shelter for the homeless and I saw the abject pain that those people experience. Many people are deluded by the fact that you see a renaissance in Washington and in Baltimore.

My own city's gotten a national reputation from Harbor Place but the ironic and tragic thing is that while it's getting those accolades nationally, for the first time in the history of Baltimore we have joined the list of top 10 cities with the most poverty. We're now on there with Newark.

Maybe, just maybe, we can bring some pressure to bear on this next Congress. I don't think we are going to do anything with the 98th Congress. I want to congratulate you for your first source agreement with Marriott hotel. I think my city should do the same thing.

The problem is as we rebuild, many of the jobs go to people living outside of the city. We don't even impact on those who are unemployed in my city. Thank you.

Mayor **Barry**. Mr. Chairman, let me just indicate in that regard. About 65 to 70 percent of the persons hired were District residents because they come through our employment service and——

Representative **Mitchell**. That's only because you got a first source agreement, right?

Mayor **Barry**. We're about the sign one with the hotels and with the banks and a number of other private sector people. To me that's a great source of at least channeling jobs and also job training for District residents. It does us no good to solve the problem of a few jobs here and they all are taken by non-District residents. That doesn't help us in our inner city problems.

Again, I want to thank you so much for——

Representative **Mitchell**. Just thank you. And I'm going to quit this business. I'm too tender inside to hear that and not experience some very deep emotional feelings. Thank you, Mr. Mayor.

Mayor **Barry**. Mr. Chairman, every time I think that I'm going to stop doing what I'm doing and I see some people in trouble, I say I've got to keep on. I'm sure you share the same kind of feeling.

Representative **Mitchell**. OK.

Mayor **Barry**. Thank you.

Representative **Mitchell**. Thank you, sir.

Before we call our next witness, we have the statement that was submitted by Mr. John Belle on behalf of the American Institute of Architects. Unfortunately, he was called away for a serious problem but his statement will be submitted in its entirety for the record.

[The statement of Mr. Belle follows:]

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National Urban Policy

A Statement By

John Belle, FAIA

On Behalf Of

The American Institute of Architects

Before

The Joint Economic Committee

Investment, Jobs and Prices Subcommittee

June 20, 1984

Thank you Mr. Chairman. I am John Belle, FAIA, a principal in the New York firm of Beyer/Blinder/Belle and chairman of The American Institute of Architects' Urban Design and Planning Committee.

Introduction

The American Institute of Architects, the professional association representing this nation's architects, appreciates the opportunity to appear today and respond to the President's 1984 National Urban Policy Report. This Report deals with issues of longstanding concern to the AIA.

The AIA and its members take a special interest in the laws and regulations governing design, construction and the practice of architecture. In addition to these areas of traditional concern, architects also are sensitive to a broad range of public issues affecting society, the natural environment, and the health and safety of citizens. The AIA has testified before the Congress this year on a wide range of issues critical to urban policy, including housing, small business concerns, historic preservation, the environment, energy, and tax policy.

Before I address the specific issues, let me state that the AIA is in support and agreement with the three-part strategy and the underlying policy principles outlined in the Report.

The first strategy, economic growth, is key. We believe that no federal action can have a more beneficial effect on our profession and on the nation's economy than a prudent federal budgetary and economic policy.

The AIA agrees with the Report's statement that "economic growth and price stability are fundamental to the continuing development of urban areas." A sound national economy contributes to sound local economies. It is a fact that inflation is at its lowest level in many years, and unemployment has dropped markedly since the recession of 1981 and 1982 as the economy has rebounded. Clearly, cities have benefited from this. It is also clear, however, that today's economy is standing on some shaky legs.

For example, the lifeblood of the construction industry is credit. Its cost and availability determine how we, as architects, do business and even whether we do business. The same is true for the entire construction and real estate industries. Driven by persistent budget deficits of unprecedented size, interest rates are climbing once again to alarming levels. This increase can be seen in the single family FHA rate. When the report was distributed on May 24, 1984, it spoke of a 12 percent FHA rate. Less than a month later the rate is 14 percent.

The Administration's reliance on a healthy economy as a solution to urban ills is directly jeopardized by its reliance on policies that will likely retard economic growth. Substantial growth in defense spending, along with heavy tax reductions, have outweighed the spending cuts in domestic programs, producing the threatening deficits we see today. Resources aimed at improving conditions in our cities have competed with these defense expenditures and with tax cuts and have lost. Federal deficits pose broad dangers to the stability of the economy that the Administration declares is the best hope for our cities.

Second, strengthening state and local governments is essential. Forecasts of political trends indicate that the importance of states and localities will continue to increase. AIA has supported the Administration's federalism initiatives, in part because our members are usually much more directly affected by state and local government actions than by those of the federal government. All professional licensure issues, for example, are handled at the state level and should remain there.

The states, out of economic necessity, have indeed become more responsive to their cities. However, it is debatable whether the states have helped to substantially relieve the financial pressures on urban budgets. In the same testimony cited in the President's Report, Mr. Miles Gregory of North Carolina also stated "we can only anticipate small additional increases in state aid for local governments in the next decade." He further stated that "despite the optimism, local governments remain cautious about the long-term outlook to the end of this decade."

The Reagan Administration has presented an optimistic profile of the state and local government fiscal position. Their financial condition is neither as solvent nor as certain as their recent surpluses would suggest. While the Administration bases these surpluses on two factors, the strength of the economic recovery and federal deregulation and consolidation policies, it ignores the fact that during the years of the Reagan Administration the majority of states have had major tax increases. In FY 1983, 38 states raised tax revenues for an estimated aggregate total of $7.4 billion in new tax receipts for FY 1984. Only three states didn't have a significant tax increase (GA,TX,HI) that year.

Third, AIA supports public and private cooperation to maintain and improve the social and physical conditions of our urban areas. AIA members volunteer countless hours to their communities and cities to aid in solving design problems. For example, since 1967 the AIA has sent over 80 Regional/Urban Design Assistance Teams (R/UDAT) to American communities that have called for help. Cities with a combined population of more than 10 million citizens have been served, and professional services valued in excess of $2 million have been donated. Clearly, we believe in private/public partnerships. But we also believe that there are areas of urban concern where the federal government should have a primary role.

The Report also claims major benefits for our cities from reduced federal program regulation and from the increased opportunity for decision-making and problem-solving on the state and local levels. The AIA has strongly favored efforts to streamline regulations and reduce costly, unnecessary delays. It sees much merit in the concept of increased flexibility for localities and states in the operation of federal programs. At the same time, the AIA recognizes that this flexibility does not completely close the gap between state and local financial capacity and human need. In too many cases, the Administration's federalism approach has translated into significantly lower levels of assistance in such areas as housing and urban revitalization programs, resulting not so much in a sharing of responsibility as a shifting of burdens. Faced with this situation, communities have few choices--raise revenues to meet the needs, reorder priorities, or do without. As the federal government reduces direct urban aid, localities have struggled to pick up the difference through local tax hikes. As a result, reliance on the progressive income tax has declined, and dependence on regressive tax sources has grown. A reordering of priorities often means little more than forced choices between one imperative and another.

Urban Initiatives

The Report acknowledges that "neither the general economic recovery nor the increasing capacity and willingness of State and local governments and their residents who help themselves will solve the problems of all cities." The Report goes on to state that "to aid those cities having difficulty adjusting to the rapid economic changes of the 1980's the Administration has maintained aid programs focusing on declining cities' needs and proposed a major new initiative to aid them." The Administration has not maintained important urban assistance programs in the sense that their funding has been protected. To the contrary, many of these programs have suffered massive cuts. In some cases, the programs have been continued despite the Administration's objections.

Urban Development Action Grants (UDAG)

The Urban Development Action Grant program (UDAG) has dropped from $675 million in FY 1981 to $445 million this year. In FY 1982, the Administration attempted to fold the UDAG program into the Community Development Block Grant program. The Report lauds the Administration's addition of "location in a Labor Surplus Area" as a "distress" criterion for establishing eligibility, but this only adds 14 more large cities and 1800 more small cities to the list of eligible communities after the program has been cut by a third.

Community Development Block Grants (CDBG)

The Community Development Block Grant program has received a 6.1 percent cut in funding between FY 1981 and the FY 1985 budget, as proposed by the President. This figure does not consider the erosion in the program's purchasing power due to inflation since 1981. It received a major boost in funds during FY 1983, as a one-shot measure to counter the 1982 recession, but this too was accomplished over the Administration's initial objections.

Housing

The Section 312 rehabilitation loan program, an active tool in housing rehabilitation since 1964, has been terminated except for expenditures permitted from repayment into the program's revolving fund, which Congress approved contrary to the Administration's recommendation. Since 1981, housing assistance has experienced the sharpest cutbacks of all domestic programs, with reductions totaling $28.7 billion. While the Report points to a growth of 700,000 additional families served by housing assistance programs between 1980 and 1984, many of these units resulted from projects started under the previous Administration, and only recently occupied. The number of assisted housing reservations totaled over 542,000 during FY 1976 and the transition quarter, when the beginning of the fiscal year shifted from July to October. For FY 1985, the President has proposed only 136,000 additional units, of which only about 18,500 would be newly constructed. Not only has the Administration cut back on the number of new units, but it has sought termination of units planned but not yet started. For FY 1984 and FY 1985 combined, almost 34,000 units will be cancelled.

The Administration has fought to terminate virtually all federal assistance for the construction or substantial rehabilitation of housing for low income people in urban areas. It has sought termination of the public housing construction program and the Section 8 new construction and rehabilitation programs. It opposed the new housing development grant program, enacted last year to provide a limited number of mixed-income rental housing units for communities experiencing severe rental housing problems. It has proposed cuts ranging from 40 to 60 percent in the Section 202 housing loan program for the elderly and handicapped. For FY 1985, only about 18,000 new and substantial rehabilitated units were provided in the Administration budget, less than the number of such units it proposed to cancel from previous appropriations.

Yet the need remains great. A just-released survey of 66 cities conducted by the U.S. Conference of Mayors found that the lists of poor people waiting for housing assistance in some cities stretched to as long as 25 years. The President's Commission on Housing estimated in 1982 that only one quarter of the nation's 10 million very low income renter households received any federal housing aid. According to the Low-Income Housing Information Service, at the rate of assistance proposed in the President's FY 1985 budget, it would take 55 years to provide adequate shelter for just those low income persons who need it now.

Infrastructure

Infrastructure improvement is one of the critical urban needs facing the country today, and it is an issue receiving increased public and Congressional attention. Our roads, bridges, water facilities, and public buildings have fallen into serious disrepair, and a concerted effort by government at all levels and by the private sector is needed to address the problem.

The Report, relying on several surveys and studies, concluded that the nation's infrastructure problems are "generally manageable," that the President's economic recovery program has increased the ability of states and localities to address their infrastructure needs, and that the Administration has "moved effectively to specifically assist states and localities in dealing with infrastructure needs through increased funding with increased flexibility and through technical assistance." Unfortunately, the Report is not entirely accurate. There is a gap between the concept of "generally manageable" as put forth by the Report and the conclusion of the joint survey of the National League of Cities and the U.S. Conference of Mayors, which the Report quotes to support its position. That survey declares that "a steady but manageable investment over a number of years could and would enable communities to start to work on the capital assets ranked as highest priorities by the respondents." There is also a gap between estimates of resources available for infrastructure improvement and the cost of such improvement. The report of this Committee indicates that between the years 1983 and 2000, the shortfall between needs and estimated resources for just four areas of infrastructure concern could be as large as $443 billion. These four areas are highways and bridges, other transportation, water supply and distribution, and wastewater treatment and collection.

The Report dwells at length on the Administration's support for the Surface Transportation Act of 1982 as a major infrastructure initiative. Increases in the areas that the bill covers have been more than matched by decreases in other important urban assistance programs that directly or indirectly affect urban infrastructure. If successful, its attempts to restrict the use of tax -exempt industrial development bonds, notwithstanding the Report's disclaimer, will mean reduced resources for infrastructure improvement.

The AIA has expressed to Congressional committees its support for a comprehensive infrastructure improvement program that is based on matching funds and that allocates assistance to states on the basis of need for their distribution to individual localities.

Environment

The Report discusses Administration support for measures to improve environmental conditions in our urban areas. The AIA believes that there is a close connection between the purity of air and water and other elements of the natural environment and the built environment. The quality of the urban places we live in depends on the effective interaction of federal environmental programs.

The Report, in its discussion of urban environmental policy, specifically addresses itself to matters under the jurisdiction of the Environmental Protection Agency and related concerns. The Report's agreement with the Administration's small effort to address the serious problem of acid rain is particularly noteworthy. This effort directs itself to an increase in funds for acid rain research, rather than a badly needed program to reduce acid rain. Acid rain causes as much as $2 billion a year in materials damage to buildings and monuments. It is literally dissolving our built environment, not to mention the damage it causes to the natural environment. The AIA has supported an acid rain action program to reduce by one half, over the next ten years, the discharge of sulfur dioxide that causes acid rain.

Enterprise Zones

As presented by the Administration, enterprise zones are an innovative supplement to programmatic assistance, but they are not a substitute for a realistic approach to community-based economic development. Responsible federal funding of such programs as environmental and energy conservation, infrastructure repair, and housing rehabilitation and production is essential.

Great concern has been expressed by some urban leaders that enterprise zones will become another safe-harbor give-away that produces neither new jobs nor economic activity. Similar concern has been expressed that enterprise zones will drain federal revenues away from more productive and direct activities. With only seventy-five zones contemplated, and one-third of those going to smaller cities, it is unlikely that most urban centers will even participate in the federal enterprise zone incentives.

As a concept and as an experiment, enterprise zones may have a place in the urban arsenal. If the states continue to pass their own enabling legislation, the ability to assess their practicality and effectiveness as a federal program may prove their necessity. Until that record is assessed, federal enterprise zones should remain a guarded experiment, secondary to more proven urban initiatives.

Urban Crime

The AIA recognizes that crime is a serious problem in urban America. The AIA advocates continued federal government leadership in improving the justice system; that is, law enforcement, the courts and related agencies, and detention and correction facilities.

Over half a million Americans are incarcerated in state, local and federal prisons. In 1983, 25 percent of federal penitentiaries were occupied above capacity, and 44 states were under court order to either expand or upgrade their facilities. Overcrowding in these jails and prisons presents unsuitable living conditions and reduces the security within the prisons, as well as posing a threatening risk to society.

Today, there are harsher public attitudes toward prison environments, and stricter incarceration and security are being demanded by society, largely for its own protection. The architect's role is to plan and design improved prison facilities and to improve the quality of life within the institution. The AIA believes that architects should become more involved with government in the formulation of standards for these facilities, such as fire safety and space restrictions. Design professionals have the knowledge, the experience and sensitivity to participate from the earliest planning stages through post occupancy in evaluating facility costs, operations and designs.

The AIA also believes that it is appropriate for the federal government to improve these facilities by continuing federal funding support and offering financial and technical assistance to state and local governments. The AIA supports the efforts of the Office of Justice Assistance, Research and Statistics of the Justice Department (OJARS) to deal with crime by assisting state and local government. OJARS' involvement in research activities to evaluate overcrowded prisons and examine alternatives toward possible solutions is a highly worthwhile and innovative program.

Conclusion

In conclusion, our nation's cities remain at a dramatic and stressful crossroads. In an effort to be optimistic, this Administration often gives the impression that many of our urban battles have been fought to completion and that we have won the wars against poverty, blight, and urban decline. The Congress and the media have often followed their lead, moving on to more pressing debates over industrial, social and foreign policy. Yet, without a sound urban policy, we cannot have any hope of creating any other type of national policy.

Our national urban policy should be a measure of our country's orientation toward its people and its places. It should be a statement of the quality of life we seek for our nation. Architects have dwelled on these issues since the beginning of our profession. Our experiences have led us to believe that urban resources are finite and that they can only be conserved by strengthening the nation's physical and economic resources committed to our cities.

As Jane Jacobs writes in her stimulating new book, Cities and the Wealth of Nations, America's wealth is the wealth of its cities. For those who await a domestic D-day against the urgent problems of our cities, the 1984 President's Urban Policy Report offers only compromises. Until our national urban policy becomes the passion and priority of our nation's leaders, our cities must await their final liberation.

Representative MITCHELL. Our next witness represents the National Neighborhood Coalition. If you'll come right up. Now, I've got to do the same thing to you that 10,000 people have done and that is to get the exact pronunciation of your last name.

Mr. YZAGUIRRE. I'd be happy to do that, Mr. Chairman. My name is Raul Yzaguirre.

Representative MITCHELL. Yzaguirre.

Mr. YZAGUIRRE. Yzaguirre, that's correct.

Representative MITCHELL. Please, go right ahead. We have your prepared statement.

STATEMENT OF RAUL YZAGUIRRE, CHAIRPERSON, NATIONAL NEIGHBORHOOD COALITION, ACCOMPANIED BY BUD KANITZ, EXECUTIVE DIRECTOR

Mr. YZAGUIRRE. Thank you, Mr. Chairman.

I'm here wearing two hats. I'm the president of the National Council of La Rosa, but I'm particularly here as the chairperson for the National Neighbhorhood Coalition. And I'm here to talk about the President's National Urban Policy Report.

Before I get into my testimony, Mr. Chairman, I just want to note that previous to this year, those of us from nonprofit organizations who wanted to know what was happening in urban policy used to be able to get this report for free. Now one has to write in, reserve it, and pay in advance $7.50 in order to get a copy of this report. It might be indicative of the fact that perhaps this administration is not particularly interested in getting this information out to the public.

Representative MITCHELL. The report is so bad, I wouldn't be particularly interested in getting it out myself.

Yes, leave that in the record. I meant to say that. Go right ahead.

Mr. YZAGUIRRE. Thank you, Mr. Chairman.

The National Neighborhood Coalition is a membership association of more than 50 national and regional organizations that work with neighborhood groups. We appreciate the invitation to testify on the 1984 President's Urban Policy Report.

Neighborhood-based groups have established a long-track record of addressing the many problems that attack inner-city neighborhoods. There are thousands of instances where neighborhood people have recognized a problem, banded together on a voluntary basis and created a solution to the problem.

These self-help efforts have addressed a wide variety of issues. Examples include housing rehabilitation for low-income families, neighborhood watches to fight crime, commercial revitalization to upgrade small businesses, job training to provide skills to minority individuals, arson prevention to halt the loss of used housing stock and combating redlining and disinvestment by insurance companies and mortgage lenders.

OBSERVATIONS ON THE PRESIDENT'S REPORT

Many urban areas, and more specifically, America's neighborhoods, continue to be in a state of crisis. This crisis has, I believe, grown due to the Federal cutbacks of domestic programs. In the past, there were a number of federally funded programs which were extremely helpful in providing resources to neighborhood groups. These were programs that I would describe as "opportunity-creating," because they offered people a chance to get things like jobs and houses. They would include the Neighborhood Self-Help Development program of the Department of Housing and Urban Development, the Office of Economic Development of the Community Services Administration, the Comprehensive Employment and Training Act, or CETA, of the Department of Labor, the Community Anticrime Program of the Law Enforcement Assistance Administration, the Office of Special Projects of the Economic Development Administration and VISTA. All of these programs have been abolished, except for VISTA, which has been extensively and seriously cut back.

On the other hand, many "dependency-producing" programs continue, though at a highly reduced level as part of the administration's so-called safety net. But holes are now beginning to appear in the safety net in relation to housing, as there is a growing shortage of housing, a growing shortage of suitable housing for poor and low-income families.

The urban policy report contains a four-page section entitled "Neighborhood Revitalization." It discusses an important facet of neighborhoods called "incumbent upgrading," the investment in their neighborhoods by current residents; however, the report fails to mention the importance of Federal regulations, such as the Home Mortgage Disclosure Act and the Community Reinvestment Act in relation to urban policy. Both of these laws were passed to combat "red lining" and have been used very effectively by certain neighborhood groups, in order to restimulate reinvestment.

The recent use of the laws—of these particular laws—by the Chicago Reinvestment Alliance, a federation of neighborhood groups, resulted in two unprecedented agreements. The First National Bank of Chicago has made loans available totaling over $100 million for modest income neighborhoods. And Harris Bank of Chicago has announced a $40 million program for mortgages and housing rehabilitation loans.

Mr. Chairman, the effect of what we're trying to get across here is that, unlike what the administration is trying to get across to us that deregulation has helped urban revitalization, we have two significant laws which were aimed at making sure that funds were directed to low-income folks and a fair share, by banks, and that "red lining" was opposed, and these are—these are good legislation, they are legislation that is appropriate and, in fact, contribute to urban development and were not at all mentioned in the report.

RECOMMENDATIONS

Some of our recommendations would include—we would like to draw the attention of the subcommittee to the Neighborhood Development Demonstration Act, which was not mentioned in the Urban Policy Report. This legislation was authorized last year in the Housing and Urban Rural Recovery Act of 1983 at the level of $2 million. It is an innovative program which will provide small matching grants up to $50,000 to selected neighborhood groups that have raised money from residents, businesses, and churches in their neighborhoods. Eligible activities include creating new jobs, rehabilitating housing, delivering services and promoting neighborhood improvements.

Because of a technical glitch, HUD has been unable to implement this program up to this time; however, we urge Congress to approve a technical amendment in the next general Supplemental Appropriations Bill, which will line up the $2 million already appropriated for the program in the Secretary's Discretionary Fund, Section 107, with Section 123, Neighborhood Development Grants.

We also urge that Congress appropriate $2 million for this program in fiscal year 1985, as the Neighborhood Development Demonstration Act was authorized for two years.

We in the Neighborhood Coalition are proud of this particular program. We helped devise it. We helped conceptualize it. It is one of the few remaining programs that recognizes a Federal responsibility to help neighborhood groups deal with serious urban problems.

Thank you for the opportunity to present our views, Mr. Chairman.

Representative **Mitchell.** Thank you very much, and you make a very significant recommendation, one that I'm committed to, in your closing statement, for us to appropriate the funds and combine these two programs. I would only slightly disagree with you. I don't think $2 million is sufficient. When I go before the Appropriations Committee, I would at least recommend doubling that for the demonstration.

Mr. **Yzaguirre.** We want to multiply that by a factor of 10 or 20, Mr. Chairman, but——

Representative **Mitchell.** You go with what you think you can accomplish.

Mr. **Yzaguirre** [continuing]. We went with what we could get.

Representative **Mitchell.** I honestly think that would be insufficient—I will submit the recommendation, if I don't testify in person, that the funding be increased to at least $4 million, just in the demonstration phase.

What's the glitch? What's HUD's problem now?

Mr. **Yzaguirre.** On my left, Mr. Chairman, is Bud Kanitz, the Executive Director of the Coalition. I wonder if, Bud, you would explain in more detail.

Mr. **Kanitz.** Yes. What happened, Mr. Chairman, last year was that prior to the approval of the authorization of the Neighborhood Development Demonstration Act, the appropriation was approved in about June or July of last year, the authorization, last November. As a result, $2 million was put into the appropriation for the program, but that was under the Secretary's discretionary fund. As a result, the HUD officials have kind of balked at implementing the program, because they say there is no money appropriated for neighborhood development grants, specifically. As a result, there is a technical amendment that is now going to be considered in the next month or so, in order to line up—take the $2 million out of the discretionary fund, make it available for the neighborhood development grants.

Representative **Mitchell.** Thank you. This administration does have a genius, it really does, for finding ways not to spend the moneys appropriated by the Congress. I compliment them on that. They do it across the board in every program.

Mr. **Kanitz.** Except defense.

Representative MITCHELL. Except defense.

I did have one other question that I wanted to put to you. Essentially, in the President's report—I guess I am reading it right—he is saying that one of the ways you revitalize is by independent efforts on the part of neighborhoods and churches, and so forth. I guess he's saying that those independent efforts would be divorced from any Federal money. That's generally the drift of this administration. I assume, inferentially, that that's what he's suggesting.

You've done well in accomplishing certain things in your efforts. Could you have done this without the benefit of any Federal moneys?

Mr. YZAGUIRRE. No, and that's a very perceptive question, Mr. Chairman. One of the interesting and fascinating things to us is that when the administration talks about private efforts, and the kinds of examples that they cited through the commission that they set up. I believe it was called the President's Commission on Private Initiatives, they cited a great many examples of things that dealt with social problems and private efforts to deal with those problems. When you look at practically every one of those examples, what they failed to mention was that there was a significant Federal involvement, either preceding or during or at some point during that particular program, either the building where the program was constructed with EDA funds or there were VISTA volunteers that were part of a program that helped do that or there were neighborhood groups who had CETA funds or CETA public service employees assigned to them. There was a significant Federal role in every one of those examples, and I find that quite interesting. In a way, it really undermines their premise that private groups can do it alone.

Representative MITCHELL. Thank you. I started out with "Alice in Wonderland," and you reinforce my thinking. That's this game of words and mirrors, shading and nuances and claiming credit for things not done by this administration.

Well, maybe we'll get into some heavier reading later on and something that's more objective, more real and less illusory.

Thank you very much, Mr. Yzaguirre.

Mr. YZAGUIRRE. Thank you, Mr. Chairman.

Representative MITCHELL. I want to thank all of those who participated in this hearing. I am particularly pleased with the JEC staff, who worked assiduously to prepare for this hearing. It's been meaningful. The entire report will be written, made available to all the members of the Joint Economic Committee and to all the Members of the Congress. I would hope that this report would be one of the first starting bricks for the 99th Congress to build a real urban policy. That's why we had the hearing.

Thank you so very much. Thank you for your participation. The subcommittee is now adjourned.

[Whereupon, at 11:30 a.m., the subcommittee adjourned, subject to the call of the Chair.]

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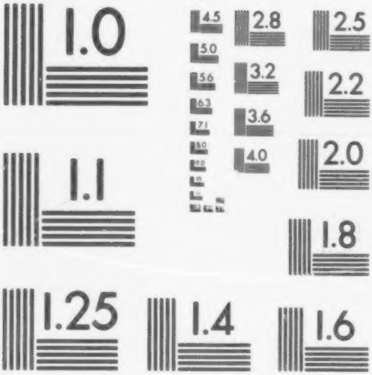

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